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# Evaluation of the Canada Apprentice Loan

## Final Report

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Strategic and Service Policy Branch

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Canada

**Evaluation of the Canada Apprentice Loan**

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# *List of Abbreviations*

| | |
|---|---|
| CAL | Canada Apprentice Loan |
| CSLP | Canada Student Loans Program |
| EI | Employment Insurance |
| ESDC | Employment and Social Development Canada |

# *Exhibits*

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# *Executive Summary*

This report represents Phase 1 of the evaluation of the Canada Apprentice Loan (CAL). The CAL program, which began disbursing loans to apprentices in January 2015, was designed to assist apprentices with the costs associated with their in-class technical training and related forgone wages so that more apprentices could complete their training and more Canadians consider a career in the skilled trades. It is one program among many (Apprenticeship Grants, Employment Insurance benefits for apprentices, provincial/territorial support, income tax measures) that is designed to assist apprentices during their apprenticeship training.

The program was expected to provide loans totaling $100 million to at least 26,000 apprentices per year in designated Red Seal trades at the time of its announcement. Apprentices registered in Red Seal trades are eligible for loans of up to $4,000 per period of in-class technical training (usually six to eight weeks in duration at an educational institution, employer or union hall), from a minimum of $500 to a lifetime maximum of $20,000 (five periods of technical training).

This report summarizes the evidence collected from four lines of evidence prepared specifically for Phase 1 of this evaluation (see Appendix 2) and focuses on questions related to program relevance, the use of the loans, administrative costs, and program delivery and awareness. It is important to emphasize that this is the first phase of a two-phase evaluation (Phase 2 of the evaluation, which will focus on program impacts and loan repayment outcomes, will be completed in March 2020). Thus, some of the findings presented in this report can only provide preliminary evidence.

## Main Findings

### *Need for the Canada Apprentice Loan*

Although a suite of federal and provincial financial supports for apprentices exist, early evaluation findings suggest a need for the CAL among some apprentices. This is largely due to many employers providing little to no support for apprentices while they are on technical training and because of a lag in the receipt of Employment Insurance benefits among some apprentices when they most need the financial support (or benefit ineligibility – particularly among first-year apprentices). Further, when costs were compared to existing supports (which include the receipt of EI benefits), it is estimated that in the absence of the CAL, on average, apprentices can expect to have a shortfall of over $2,000 per eight-week period of technical training, with the shortfall being over $3,000 for those without financial support from their employer or union. It is important to note that Phase 2 of the evaluation will provide additional evidence on the need for the CAL.

Further, focus group participants and key informants noted that some forms of technical training, such as online training, are viewed as full-time training by apprentices but are not considered to be eligible for CAL loans even though financial support is needed.

***Canada Apprentice Loan Use***

In 2015, 20,236 CAL applications were submitted and 75.6% (15,289) were approved, leading to disbursements totaling $58.8 million. The average disbursement amount was $3,845, suggesting that the majority of recipients (45.2% of whom were from Alberta) applied for the maximum loan amount of $4,000 per technical training period.[1] Further, a disproportionately lower share of females received a loan (5.2%) relative to the share of females with Red Seal Trade certificates (10.3%).

The take-up rate for the CAL (i.e. the share of the eligible population who receive a loan) was calculated to be 41.0% in 2015, influenced by many apprentices being unaware of the program or choosing not to apply for a loan due to a misunderstanding of loan repayment terms.

CAL recipients in the focus groups and key informants noted that apprentices used the support from their CAL loans to fill in the gaps left by Employment Insurance (whether or not it was received quickly) and personal savings. A number mentioned that they would not have been able to attend block training without this support – a comment also made by key informants. However, most CAL recipients in the focus groups did not identify CAL funding as their primary income source while on technical training and none listed Apprenticeship Grants or Provincial/Territorial assistance (perhaps due to the lower available amounts). Employment Insurance benefits were the most cited primary income source (by almost half of CAL recipients). CAL-eligible non-recipients relied much more heavily on the use of personal savings, credit cards and scholarships/bursaries.

***Administrative Costs***

Total administrative costs for the CAL were $4.2 million in 2015-16. This included an estimated operating budget of $2.6 million and service delivery costs of $1.6 million (which include a significant portion related to program implementation). Following the final phase of program implementation in October 2016, service delivery costs are expected to decline starting in 2017-18.

In 2015-16, the total CAL administrative cost stood at $258 per recipient (or $160 if excluding the service delivery cost). This latter figure was still significantly higher than the comparable figure ($74) reported for the Apprenticeship Grant program in 2013-14.

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[1] Through the first 9 months of 2016, 14,202 CAL applications were submitted and 92.0% (13,060) were approved, leading to disbursements totalling $50,592,853. The average disbursement amount was $3,874. Compared to the first 9 months of 2015, this represents an increase in the number of CAL loan recipients of 18.0% and an increase in disbursements of 19.2%.

However, it is important to note that CAL loans are delivered by a third party whereas the Apprenticeship Grant program is delivered by Service Canada – implying that costs may not be directly comparable.

***Awareness and Program Delivery***

Focus group participants and key informants were nearly unanimous in agreeing that few (if any) implementation issues were experienced. As well, almost all focus group participants found the application process to be simple. Further, the CAL was considered timely by both focus group participants and key informants, especially when considered against other supports, such as the Apprenticeship Grants or Employment Insurance benefits.

Approximately half of the focus group participants not in receipt of a CAL loan had heard of the program. By comparison, awareness of the Apprenticeship Grants was higher among focus group participants – presumably because the program has been in place since 2007. Although awareness of the CAL was understandably higher among recipients themselves, many lacked knowledge of or did not understand the repayment terms.

## Early Observations

Given that Phase 2 of the evaluation will provide additional evidence on many of the key issues, formal recommendations will be made at the conclusion of the evaluation in December 2019. However, the following two observations can be made at this time to build on the demonstrated need of apprentices for the CAL:

1. Recognizing that different types of technical training (e.g. online training) are highly relevant for apprentices, it will be important to consider opportunities for the CAL to respond to innovation in the delivery of technical training as the program matures.

2. Future awareness campaigns and communications to key program stakeholders may benefit from detailed information on loan repayment terms, as many apprentices indicated not applying for a loan out of concern of not being able to repay the loan in the future. This suggests a lack of understanding of the repayment assistance that is available to apprentices.

# 1. Introduction

The Government of Canada has committed to ensuring that Canadians are aware of the career opportunities offered by the skilled trades and to assist apprentices with the cost of their training – which includes technical training for short periods.[2] Completing such technical training involves significant costs such as educational fees, tools and equipment, living expenses and forgone wages.

To help registered apprentices cope with these costs, the Government of Canada announced the creation of the Canada Apprentice Loan (CAL) on February 11, 2014. The program officially began disbursing loans to apprentices registered in a designated Red Seal trade apprenticeship with their province or territory (except Quebec[3]) starting in January 2015.[4] The CAL was projected to provide over $100 million in interest-free loans each year to roughly 26,000 apprentices.

This evaluation report constitutes the first phase of a two-phase evaluation of the CAL and focuses on questions pertaining to program relevance, the use of the loans, administrative costs, and program delivery and awareness. Phase 2 of the evaluation will include questions related to loan repayment and the impact of the loans on apprenticeship completion, as it is too early to examine these issues in Phase 1 due to a longer required period of data (see Appendix 1 for a full list of questions).[5] Four separate lines of evidence were developed specifically for Phase 1 of this evaluation (see Appendix 2).

## 1.1 Methodology and Limitations

An evaluation methodology for the *Evaluation of the Canada Apprentice Loan (CAL): Phase 1* was developed and defines the scope of the overall evaluation of this new program. The methodology also provides details of the evaluation questions and lines of evidence used to address them (see Appendix 2). It should be noted that since the evaluation started before the new *Policy on Results* came into effect, the structure of the evaluation questions is based on the April 2009 Treasury Board Secretariat *Policy on Evaluation*.[6]

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[2] For further information, see the 2013 Speech from the Throne at http://www.lop.parl.gc.ca/ParlInfo/Documents/ThroneSpeech/41-2-e.html.

[3] Quebec's student financial aid system provides support.

[4] A Red Seal trade is a designated trade that is governed by regulations under the Provincial and Territorial Apprenticeship Acts. These regulations outline the administrative procedures and, in some cases, the standards and conditions of training (e.g. methods of registering apprentices, curriculum, accreditation and certification) for specific trades. For further information, see http://www.red-seal.ca/trades/tr.1d.2s_l.3st-eng.html.

[5] Future evaluations of the program may examine the labour market outcomes of CAL recipients versus non-recipients.

[6] The new *Policy on Results* came into effect on July 1, 2016. For further information, see https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31300.

Furthermore, an Evaluation Strategy report for the *Evaluation of the Canada Apprentice Loan (CAL): Phase 1* was also developed to ensure that the evaluation questions could be answered with the proposed methodology. The Evaluation Strategy noted a few key considerations that are more pertinent to Phase 2 of the evaluation.[7]

The main limitation for Phase 1 of the evaluation is a lack of annual information on the number of eligible apprentices who go on block release training (i.e. a method by which apprentices are released by their employers to attend in-class technical training for a specified period (block) each year, usually 6 to 8 weeks). As a result, the calculation of the take-up rate of the CAL (i.e. the share of the eligible population who receive a loan) had to use the number of apprentices collecting Employment Insurance (EI) benefits as a proxy. The reason this was used as a proxy is because the vast majority of apprentices who go on block release training apply for and receive EI benefits.

A further limitation for Phase 1 is that there is a limited amount of program data from which to draw early conclusions. For this reason, analysis of loan repayment and program outcomes has been deferred to Phase 2 of the evaluation.

[7] Most importantly, this included the requirement that a Memorandum of Understanding (MOU) be in place between ESDC and Statistics Canada and between ESDC and the Canada Revenue Agency by the end of 2017-18 (otherwise additional questions on technical training and income would have to be added to the Phase 2 survey).

# 2. Background

This section provides an overview of apprenticeship, which is defined as "*a form of post-secondary training that teaches the skills and competencies necessary to perform tasks to an industry standard*."[8] As well, this section gives an overview of the CAL including information on loan eligibility and repayment, and also provides information on other types of available apprenticeship-related assistance.

## 2.1 Overview of Apprenticeship

Apprenticeship offers a training system that combines practical on-the-job experience and technical training (e.g. in the classroom), with practical experience accounting for most of the training. Technical training can occur at a college, a union training centre, a private trainer or online. Once an apprentice has completed the required hours and/or modules for the trade, the apprentice can write a certification exam. A typical apprenticeship program ranges from two to five years in duration. Usually, an apprentice works for 40 to 46 weeks a year and goes to school for a 6- to 12-week "block" of training for the remainder of the year (with 8 weeks being the most common duration of the training).

As part of an apprenticeship program, there is an agreement between an apprentice seeking to learn a skill and an employer who assumes responsibility for training and developing a skilled worker. Provincial/territorial apprenticeship authorities have the responsibility to register the agreement, to administer and monitor the apprentice's apprenticeship training, and to ensure compliance with the provincial/territorial Apprenticeship and Certification Act and the regulations under the Act. Apprentices are considered as employees, whose wages can increase as they progress through each year (level/block) of an apprenticeship program, rising to full journeyperson rates upon successful completion of the program. Upon completion, apprentices receive a Certificate of Qualification that confers journeyperson status.

Apprenticeship training falls within the purview of provincial/territorial departments responsible for education, training and labour programs – resulting in 13 systems. The federal government plays a role in apprenticeship training through the Interprovincial Standards Red Seal Program, which was established to increase the mobility of skilled workers across Canada. "*The program is a partnership between the federal, provincial and territorial governments and is administered in each province and territory under the guidance of the Canadian Council of Directors of Apprenticeship. The Red Seal endorsement provides evidence that a tradesperson has met the Canadian standard of skills and knowledge required in his/her trade. The Red Seal examinations are used to determine whether apprentices and tradespersons meet the Canadian standard in 57 trades.*"

[8] For further information, see http://www.careersintrades.ca/whats-an-apprenticeship/.

As of 2015, more than 650,132 tradespeople in Canada had attained a Red Seal endorsement."[9] Overall, there are 359 trades in Canada and tradespeople play an important role in the Canadian economy and represent 1 in 5 employed Canadians. In 2015, four million Canadians worked in skilled trades, representing 22.1% of employed Canadians.[10]

Despite the fact that the apprenticeship system is not a federal responsibility, the Government of Canada has recognized the need to support the transition of young workers into the trades. In order to encourage young people apprenticing in Red Seal trades, the federal government has implemented financial supports such as the CAL, Apprenticeship Grants, EI benefits and tax measures.

## 2.2 Canada Apprentice Loan Program

As noted in Section 1, to help registered apprentices cope with apprenticeship-related costs, on February 11, 2014 the government announced the creation of the CAL, "*which will offer interest-free loans to help registered apprentices with the cost of their training. The Canada Apprentice Loan will assist more apprentices in completing their training and encourage more Canadians to consider a career in the skilled trades.*"[11] Apprentices have been able to apply for the CAL since January 2, 2015.

Most apprentices are eligible to apply for interest-free loans of up to $4,000 per period of technical training (minimum request of $500).[12] The lifetime maximum loan amount is $20,000 (or for five periods of technical training).[13] To be eligible for the CAL, technical training must be block release or the equivalent full-time technical training as defined by the applicable provincial/territorial apprenticeship authority.[14] An applicant taking part-time technical training is not eligible for the CAL, as well as those taking foundational/pre-apprenticeship training, day release training, evenings/weekends training and online/distance courses. An apprentice who was not successful in completing previous technical training may still apply for the CAL as long as the apprentice has not reached the lifetime maximum of five technical training periods.

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[9] For further information, see http://www.red-seal.ca/others/f.1ct_sh.2.2t-eng.html.

[10] ESDC calculation based on 2015 Labour Force Survey (Statistics Canada) and 2014 Registered Apprenticeship Information System (Statistics Canada).

[11] Finance Canada, « *Economic Action Plan 2014, The Road to Balance: creating Jobs and Opportunities*", February 11, 2014.

[12] Those not eligible for the CAL include: high school students (unless enrolled in adult learning/professional upgrading classes); apprentices registered in the province of Quebec; apprentices receiving a Canada Student Loan for the same technical training; apprentices who are restricted from receiving a CAL or a Canada Student Loan; apprentices who have already received funding for 5 periods of technical training; or apprentices who have already received 6 years of interest-free status.

[13] Eligibility criteria for the CAL can be found at https://www.pca-cal.ca/en/Apprentice-Loan-Information/Determine-your-eligibility.

[14] There are no minimum or maximum defined periods of technical training. However, provincial/territorial apprenticeship offices have confirmed that block release technical training periods usually range from 4-8 weeks. The Canada Student Loans Program (which is responsible for the CAL) asks that technical training providers use discretion when providing confirmation of enrolment and ensure that the apprentice is enrolled in block release or the equivalent full-time technical training.

There is no financial needs assessment to request a CAL, but applicants need to pass a credit check when applying for the first time (to require a financial need assessment similar to that of the Canada Student Loans model would result in many apprentices being ineligible for the CAL due to their income levels immediately prior to entering technical training). With the objective of providing financial assistance to apprentices in short-duration periods of technical training, the Government of Canada determined that CAL applicants would not be subject to a needs- or income-based assessment as part of the eligibility criteria. First-time applicants will be denied funding if, in the 36 months before applying, the applicant missed payments on at least three debts which were each higher than $1,000 and more than 90 days overdue.

The earliest that an apprentice can apply for a loan is 90 days before the technical training starts, while the latest date to apply is the last day of the technical training. When the government announced the program, it was indicated that "*applicants that submit all the necessary information can expect to receive their loan within 7 to 10 business days from the time the application is received*".[15] Online information indicates that application processing time from application through disbursement of funding depends on a number of variables. Generally, after an application is submitted, it will go through a Social Insurance Number validation for first-time applicants (24 hours), a credit check for first time-applicants (24 hours), and confirmation of enrolment by the applicant's technical training provider before the disbursement is processed.[16] Once confirmation of enrolment is received by the CAL Service Centre, applicants will receive their funding within 3-5 business days, as early as their technical training start date.

CAL loans are interest-free until loan recipients complete or stop their apprenticeship training program, up to a maximum of six years.[17] Repayment of a loan starts when the apprentice:

- Has completed a Red Seal trade apprenticeship program;
- Is no longer registered in a Red Seal trade apprenticeship program;
- Did not confirm registration by the apprenticeship end date; or
- Has reached the lifetime maximum of six years of interest-free status.

Interest begins to accrue on the loan the day after the apprenticeship end date. Although no payments are required for the first six months after the apprenticeship end date, interest accrues on the outstanding loan balance. At the end of the six-month non-repayment period, the CAL borrower is required to start making regular loan payments. Apprentices have to choose between a variable (prime + 2.5%) or fixed (prime + 5%) interest rate. The standard amortization period is nine-and-a-half years or a lesser period

[15] For further information, see http://pm.gc.ca/eng/news/2015/01/08/canada-apprentice-loan.
[16] While an application may be submitted up to 90 days in advance, and may pass Social Insurance Number and credit checks within a few days, it will remain "in progress" pending confirmation of enrolment, until 21 days before the training start date.
[17] For further information on loan repayment, see https://www.pca-cal.ca/en/Apprentice-Loan-Information/Repay-your-loan.

of time as is required to support a minimum monthly loan payment amount of $25. CAL borrowers are eligible for the Repayment Assistance Plan.[18]

## 2.3 Other Apprenticeship-Related Assistance

The CAL builds on other federal government measures that aim to financially support individual apprentices:[19]

1. Apprenticeship Grants[20]: Apprentices can receive up to $4,000 in lifetime grants to help pay for tuition, travel, tools, or other expenses via the:

    a. Apprenticeship Incentive Grant: Taxable cash grant of $1,000, up to a maximum of $2,000, available to registered apprentices once they have successfully finished their first and second year/level of an apprenticeship in a designated Red Seal trade. This grant helps registered apprentices in designated Red Seal trades progress through their apprenticeship.

    b. Apprenticeship Completion Grant: A one-time taxable cash grant of $2,000 available to registered apprentices who have successfully completed their apprenticeship training and obtained their journeyperson certification in a designated Red Seal trade.

2. EI benefits: if an individual has been referred by their province or territory to attend full-time technical training (sometimes referred to as block-release training), he/she may be eligible to receive EI benefits while unemployed and attending the course.[21]

3. Tax deductions and credits for apprentices and tradespersons including the Tradesperson's Tools deduction, the Tuition Tax Credit[22], the Education Tax Credit and the Textbook Tax Credit.[23]

In addition, the provincial/territorial governments also provide financial support for apprentices through various programs.[24] In Ontario for instance, programs available for apprentices include:

- Apprenticeship Completion Bonus in Non-Red Seal trades (grant of $2,000);
- Apprenticeship Scholarship ($1,000);

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[18] For further information, see https://www.pca-cal.ca/en/Apprentice-Loan-Information/Repay-your-loan.
[19] There are also federal government apprenticeship-related measures that support employers.
[20] There is no assessment of financial need.
[21] For more information, see http://www.esdc.gc.ca/en/support_apprentices/ei_apprentices.page.
[22] To qualify, the fees paid to attend a Canadian educational institution must exceed $100. If the fees were paid or reimbursed by the employer, the fees can be claimed only if the payment or reimbursement was included in the apprentice's income.
[23] Budget 2016 (announced on March 22, 2016) proposed to eliminate the Education and Textbook Tax Credits, effective January 1, 2017.
[24] For a full list of available provincial/territorial financial support for apprentices, see "*Document Review for the Evaluation of the Canada Apprentice Loan (CAL) – Phase 1*".

- Co-Op Diploma Apprenticeship Programs, Loans for Tools;
- Ontario Youth Apprenticeship Program, Pre-Apprenticeship Training Program;
- Support to Non-EI Eligible Apprentices During In-School Training; and,
- Apprenticeship Training Tax Credit.[25]

Further, the Skills Development-Apprenticeship program (administered under the Labour Market Development Agreements in the provinces and territories) provides EI-eligible apprentices with financial support to help them offset the costs of their in-class training.[26] Supports under this program cover expenses incurred by apprentices while in training including costs related to:

- Transportation/travel;
- Childcare and/or dependent care;
- Living away from home allowance/second home;
- Living allowance;
- Tuition (provided either directly to the institution or to the individual);
- Disability support;
- Books;
- Essential skills support, academic upgrading, tutoring, learning strategist salaries;
- Supplies, tools and equipment; and
- Assistance for exceptional circumstances.

Funding under this program is generally granted based on fixed rates. The rules determining the allocations and the level of funding vary among the provinces and territories.

[25] For further information, see http://www.collegeoftrades.ca/.
[26] ESDC (2016), "Cycle II of the Evaluation of the Labour Market Development Agreements (LMDA): Study on Skills Development-Apprenticeship (SD-A)".

# 3. *Relevance of the Canada Apprentice Loan*

In order to address the relevance of the CAL, the following evaluation questions are addressed in this section:

- Is there a need for the CAL given existing apprentice support measures, the cost of technical training, and overall apprenticeship program costs?
    - To what extent do apprentices continue to be paid by their employer during their technical training?
    - To what extent do loans respond to the needs of different sub-populations of apprentices?
    - Are there other ways to provide support to apprentices during the technical training period that would better respond to the needs of apprentices?

- Do the objectives of the CAL align with federal government priorities and departmental strategic objectives?
    - What is the role and responsibility for the federal government in delivering financial support to apprentices?

## 3.1 Need for the Canada Apprentice Loan

There was a consensus among key informants (with federal officials from the CSLP Directorate and the Trades and Apprenticeship Division, employees at the CAL Service Centre, provincial/territorial apprenticeship authorities, approved technical training providers, and national apprenticeship stakeholders) that there is a need for the CAL. It was noted by some key informants and focus group participants that many apprentices have a large financial burden (e.g. equipment, tools, work vehicles, etc. in addition to everyday expenses such as housing costs, dependent care costs, etc.) which necessitated the program. Further, due to EI ineligibility among some apprentices (particularly first-year apprentices), and a lag in the receipt of EI benefits among other apprentices (based on focus group findings), the CAL program can help those with large financial commitments bridge some of the gap due to its perceived timeliness.[27]

Estimates based on findings from the focus groups suggest that financial needs and supports vary considerably by jurisdiction, age, family circumstances and trade. However, when costs were compared to existing supports, it is estimated that in the absence of the CAL, on average, apprentices can conservatively expect to have a shortfall of over $2,000 per eight-week period of technical training, with the shortfall being higher

[27] One technical training provider noted that as many as 65% of apprentices were having difficulty paying for tuition.

(over $3,000 – i.e. more than three-quarters of the maximum amount of a CAL loan per technical training period) in the absence of support from employers and unions. More details on the specific costs and available apprentice supports are provided below.

### 3.1.1 Cost of Technical Training / Apprenticeship Program Costs

The file review indicated that there are multiple costs associated with being enrolled in an apprenticeship program, such as tuition fees for technical training, books, ancillary fees, cost of tools, and living expenses if a secondary residence closer to the technical training provider is needed. As well, a significant indirect cost of attending technical training is forgone wages – something that the CAL was also designed to address – which varies significantly by trade and year of apprenticeship. As an example, an apprentice electrician would have forgone wages of between $3,918 and $8,738 for an eight-week period of technical training – with a less experienced apprentice electrician having forgone wages closer to the lower end of the range.[28]

All provinces and territories (except for Newfoundland and Labrador, Ontario and British Columbia) regulate the tuition fee that technical training providers can charge apprentices. Some, such as Prince Edward Island[29] and Yukon[30], subsidize 100% of the cost of technical training. For those jurisdictions where the cost of technical training is not 100% subsidized, the estimated cost of a 12-week period of block training ranges from $300 in Manitoba to $1,500 in British Columbia.

Apprentices generally have to pay ancillary fees, books and tool costs, living expenses and transportation expenses while attending technical training. They may also have to pay additional daycare costs or temporary second residence costs if they have to attend technical training in another city. These costs are not regulated by province/territory and can vary significantly.

Most technical training provider institutions charge a nominal fee (usually $50-$100) to apply for block training. Apprentices are also expected to pay registration fees and examination fees to some provincial/territorial authorities (which tend to be no more than $160 per year). Moreover, apprentices in some provinces or territories may have to pay Certification and/or Red Seal endorsement fees, but apprentices in Newfoundland and Labrador do not pay any fee for obtaining a Certificate of Qualification or a Red Seal endorsement. These fees range from around $75 to as high as $450. Textbook, equipment/materials and tool costs for apprentices can vary significantly by institution, trade, and jurisdiction (from $67 to $1,500).

Results from the Canadian Apprenticeship Forum and the Association of Canadian Community Colleges online survey (in 2006) found that total direct and indirect average

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[28] According to a self-reporting 2016 survey of 384 apprentice electricians (94% of whom had 0-4 years of work experience), the total annual pay of an apprentice electrician was between $25,468 and $56,798. For further information, see http://www.payscale.com/research/CA/Job=Apprentice_Electrician/Hourly_Rate.
[29] For further information, see http://www.gov.pe.ca/ial/index.php3?number=1033225#tuition.
[30] For further information, see http://www.education.gov.yk.ca/apprenticeship-funding.html.

costs for apprentices at public providers per technical training period were $3,233 ($3,808 adjusted to 2016 dollars), and $4,127 ($4,860 adjusted to 2016 dollars) for apprentices at private providers.[31] However, only 5% of apprentices obtained training at private technical providers (as per the 2007 National Apprenticeship Survey).[32]

Findings from the focus groups suggested that the cost of an eight-week block of technical training (living expenses, tuition/fees, books, tools and transportation – but not including forgone wages) was higher (at roughly $6,300). However, this higher amount could be a function of the composition of the focus groups, where four of the ten groups took place in higher cost areas such as Toronto and Ottawa.

### 3.1.2 Existing Apprentice Support Measures

The federal government has a suite of supports in place to assist apprentices with the cost of apprenticeship (as noted in Section 2). Some of these, such as the Apprenticeship Grants and CAL, are restricted to apprentices registered in Red Seal trades. Others, such as EI benefits and federal tax deductions and credits, are available to all types of apprentices. The federal government also encourages Red Seal trade employers to hire apprentices through the Apprenticeship Job Creation Tax Credit.

There is also support available through provincial/territorial programs for both apprentices and employers in Red Seal and non-Red Seal trades. While the exact type and amount of support varies by jurisdiction, most provinces/territories have grants to offset tuition costs and funding support in excess of EI to partially cover living costs during technical training – which includes support offered under the Skills Development-Apprenticeship program for EI-eligible apprentices.

### 3.1.3 Employer Support

There are multiple cost components to an apprenticeship program, including the costs of technical training. While some of the costs can be offset by wages that continue to be paid by some employers during on-the-job training, very few apprentices are paid by their employer during technical training (findings confirmed in both the key informant interviews and focus groups).

According to key informants, employers usually lay off their apprentices for the time they are in technical training, with most apprentices applying for EI while in school. Some employers will top-up the apprentices' EI such that the apprentice receives as much as 90% of their normal wage – although this was noted as being rare.

All fees associated with apprenticeship are normally the responsibility of the apprentice. However, some employers (and unions) do pay the technical training portion. Employers

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[31] Canadian Apprenticeship Forum (2007), "*Apprentices Enrolled at Publicly Funded Canadian Colleges and Institutes*".
[32] For further information, see http://www.red-seal.ca/docms/nas_profiles_eng.pdf (Table A3.1, page 81).

that pay for their apprentices' tuition sometimes require the apprentice to sign a contract with the employer to stay for a specified amount of time.

Focus group findings noted that employer financial support was often in the form of offsetting education expenses such as tuition and books. Some employers fully or partially reimbursed their apprentices upon successful completion of block training. Other employers addressed immediate out-of-pocket expenses of block training by paying up-front tuition costs and then taking small amounts off of subsequent pay cheques until it was paid back (i.e. the employer gave an interest-free loan). As noted above, some apprentices had to commit to stay with the company for at least one year upon completion. Perhaps the most common form of employer support was for equipment – through the direct provision of tools, clothing or providing the funds for apprentices to purchase them.

### 3.1.4 Other Ways to Support Apprentices

Focus group participants (both CAL loan recipients and non-recipients) and key informants offered a number of ways that federal and provincial/territorial governments could help support apprentices:

1. Issue EI in a timelier manner: this can be accomplished via improved accessibility to Service Canada officers (e.g. extended hours of service, direct communication by email), more support to apprentices in filling out applications, and providing training to employers so that Records of Employment are submitted accurately and on time.[33]

2. Examine efforts being made in promoting careers in trades, directly targeting what might be considered underrepresented groups such as women, and perhaps using targeted wage subsidies to facilitate employers hiring people from underrepresented groups in trades.

3. Learn from innovative initiatives being undertaken currently, such as the Yukon's *Building Northern Apprentices* program, which allows apprentices to receive technologically assisted learning directly in their communities, from an instructor that travels from one community to another.

4. Eliminate taxes on supports: taxing EI means that apprentices owe considerable taxes at year-end and taxing the Apprenticeship Incentive Grant and Apprenticeship Completion Grant significantly limits the benefits.

5. Recognize different types of apprenticeship training: although viewed as full-time training by apprentices, online learners are not eligible for the CAL.

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[33] An internal review (January 2013 to September 2014) showed that EI processing for apprentices was faster than the program overall: on average, roughly 78% of apprentice EI claims were processed within the 28-day service standard, close to 10% more than the program overall. The main reason for delays was related to the late submission of Records of Employment by employers, erroneous Records of Employment and manual adjudication.

6. Place more emphasis on grants by:
    a. Reimbursing technical training tuition fees once an apprentice becomes a journeyperson;
    b. Providing grants up-front to directly pay for tuition, books or tools, rather than after the fact;
    c. Providing rewards for staying in areas with labour shortages (a program like this previously existed in Nova Scotia and Halifax focus group participants suggested it should be reinstated); and
    d. Rewarding excellence through more scholarships.

7. Provide greater access to information (via multiple platforms including social media) on the CAL program, apprenticeship income/costs and potential job opportunities; facilitate access to networking opportunities with employers; and reach out to high school students to guide teenagers into the trade related to their interests and aptitudes.

8. Help protect apprentices by ensuring that the hours spent on the job were on developing skills. According to focus group participants, some employers focussed only on short-term profits and would have their apprentices do only one task repeatedly, rather than develop as a fully-able tradesperson.

## 3.2 Alignment with Federal Government Priorities

The Government of Canada made a commitment to assist apprentices with the cost of their technical training in the 2013 Speech from the Throne. The CAL program was subsequently announced in Budget 2014 to assist apprentices with "*significant costs to complete these periods of technical training required by their program, including educational fees, tools and equipment, living expenses and forgone wages*." The goal of the program is to "*assist more apprentices in completing their training and encourage more Canadians to consider a career in the skilled trades*".

In Budget 2016, the government reiterated the importance of apprenticeship by indicating that "*a skilled, mobile and certified skilled trade workforce is built upon high quality apprenticeship training systems.*" Thus, the objective of the CAL clearly aligns with current federal government priorities, as well as with the second departmental Strategic Outcome (a skilled, adaptable and inclusive labour force and an efficient labour market).

## 3.3 Delivering the Canada Apprentice Loan

The federal government role in delivering financial support to apprentices extends to three key areas – the CAL, Apprenticeship Grants and EI support for apprentices. The CAL is delivered by a third party via the CAL Service Centre.[34] The CAL is a statutory measure that was established as an extension of the Canada Student Loans Program

[34] By comparison, Apprenticeship Grants and EI support for apprentices are delivered directly by ESDC.

(CSLP).[35] Therefore, the program is administered on behalf of the CSLP by its service provider in collaboration with key delivery partners such as the provinces/territories, Public Services and Procurement Canada, and the Canada Revenue Agency. Technical training providers confirm enrolment status in technical training periods before CAL disbursements are made. The provinces and territories must also confirm the registration status of apprentices in an apprenticeship training program to maintain interest-free and payment deferral status. Public Services and Procurement Canada is responsible for disbursing loans via direct deposit or cheque, while the CSLP is responsible for providing administrative and policy direction. Finally, the Canada Revenue Agency undertakes collections when CAL loans are in default.

Applicants can visit the online website at https://www.pca-cal.ca/en/home in order to register for a Canada Apprentice Loan online service account which allows individuals to start an application, resume a saved application, review and edit a submitted application, provide banking information to expedite the loan disbursement, update contact information, and review their loan status and history. In addition, the website also offers information on CAL eligibility; how to apply for, manage and repay a CAL loan; and a link to other support for apprentices.

[35] For further information, see ESDC (2015), "*Canada Apprentice Loans Phase I: Loan Set-up and Processing Performance Measurement Strategy: Measuring for Results*".

# 4. Canada Apprentice Loan Use

Evaluation questions pertaining to CAL participation and take-up are examined in this section, where 'participation' refers to the number of apprentices who receive CAL disbursements and 'take-up' refers to the percentage of eligible apprentices who receive CAL disbursements. The distribution of CAL loan recipients is also compared to that of Apprenticeship Grant recipients.

As well, this section examines when apprentices are applying for their loans, how many loans they are applying for, the extent to which CAL loans are used to cover various types of expenses, and the use of other apprentice support measures.

## 4.1 CAL Applications

Between January 1, 2015 and September 30, 2016, more than 34,000 applications were submitted for CAL loans by more than 26,000 apprentices. Among the more than 26,000 apprentices submitting an application, almost three-in-four applied for one CAL loan, about 20% applied for two CAL loans and the remaining 5% applied for three or more CAL loans.[36] Almost all loan applications were submitted online, with only 1.3% submitting a paper-based application.

In terms of the start of the technical training period, slightly less than half of all loan applications took place prior to its commencement. Administrative data analysis showed that 20.3% occurred 5 weeks or more before its start, while a further 26.9% were within 5 weeks of the start of the technical training period. Another 27.2% were within 3 weeks after the start of the training period, while the remaining 24.6% occurred at least 3 weeks after its start.

## 4.2 CAL Participation

CAL participation expectations were outlined in Budget 2014, which noted that 26,000 apprentices were expected to apply for a CAL loan each year with total annual loan disbursements of $100 million. This corresponds to an average CAL loan amount of $3,850. In terms of take-up, no expectations were outlined in foundation documents or made in public statements.

In 2015, a total of 20,236 CAL applications were submitted and 75.6% (15,289) were approved (see Exhibit 1 in Section 4.4), leading to disbursements totaling $58,791,983.[37]

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[36] While most apprenticeship programs involve one period of technical training per year, some apprentices go on training more than once per year. This would explain why some apprentices applied for (and received) two or more loans over this 21-month period.

[37] The main reason why an application was not approved in 2015 was due to the technical training period not being confirmed, which was the reason in 62.9% of all application rejections (30.7% of application

The average disbursement amount was $3,845, suggesting that most applicants applied for the maximum loan amount of $4,000 per technical training period.[38]

## 4.3 CAL Take-Up

To calculate the take-up rate of the CAL, the number of CAL loan recipients (15,289 in 2015) must be divided by the number of apprentices who are eligible to receive a CAL loan (i.e. those enrolled in block release training or the equivalent full-time technical training with an approved technical training provider).[39] In addition, an applicant must meet each of the criteria below.

- Be a Canadian Citizen, Permanent Resident, or Protected Person;[40]
- Be registered in a Red Seal trade apprenticeship program that is designated by the province or territory where the person is registered as an apprentice;[41]
- Pass a credit check (required if applying for the first time).[42]

The number of apprentices on block release training can be estimated by using figures for the number of apprentices who receive EI benefits, as *"…the Employment Insurance program offers temporary income support to those who stop working for the sole purpose of attending full-time technical training (sometimes referred to as block-release training)…"*.[43] According to EI data analyzed by Evaluation, 38,943 apprentices (both Red Seal and non-Red Seal) established new claims for EI benefits in 2015.[44]

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rejections was due to the Social Insurance Number validation failing and 6.4% of application rejections was due to a failed credit check).

[38] Through the first 9 months of 2016, 14,202 CAL applications were submitted and 92.0% (13,060) were approved, leading to disbursements totalling $50,592,853. The average disbursement amount was $3,874. Compared to the first 9 months of 2015, this represents an increase in the number of CAL loan recipients of 18.0% and an increase in disbursements of 19.2%.

[39] Note that a person can receive more than one CAL loan in a given year but can also have more than one technical training period per year. Thus, it is necessary to calculate the number of unique loan recipients divided by the number of unique individuals who take technical training.

[40] Since an apprenticeship program requires a number of years to complete, it is assumed that 100% of applicants would meet this requirement. Although work permits exist, they are only temporary and would require the worker to leave Canada upon expiration of the permit. For further information, see http://www.cic.gc.ca/english/work/apply-who-eligible.asp.

[41] 77.2% of all apprentices in Canada are registered in Red Seal trades. It is therefore assumed that 77.2% of all apprentices on block release training are also registered in Red Seal trades and, therefore, eligible for a CAL loan. For further information, see http://www.statcan.gc.ca/daily-quotidien/160908/t001d-eng.htm.

[42] Administrative data suggests that roughly 0.7% of CAL applications are refused due to a failed credit check. Thus, it is assumed that 99.3% of all non-applicants on block release training would pass a credit check if they applied for a CAL loan. It is possible that some apprentices don't apply for a CAL loan because they know they wouldn't pass a credit check. However, the possible magnitude of this is unknown and likely small.

[43] http://www.esdc.gc.ca/en/reports/ei/monitoring2015/chapter2_benefits.page.

[44] This is based on all apprenticeship-related EI claims commencing in 2015 (excluding Quebec) where at least $1 in EI benefits was paid.

Assuming that 80% of all apprentices apply for and receive EI benefits while on block release training (an estimate based on focus group findings), 48,679 apprentices went on block release training in 2015.[45] Accounting for only Red Seals and those who would pass a credit check, 37,317 apprentices were eligible for a CAL loan in 2015.[46]

Therefore, the take-up rate for the CAL is equal to the number of loan recipients in 2015 (i.e. 15,289) divided by 37,317 – or 41.0%. As noted in the focus group and key informant interview findings, many apprentices did not apply for a loan because they were unaware of the program. Further, among those who are aware of the CAL, many feel they don't need a loan or expressed being financially risk averse to taking out a loan. These factors may help explain why the CAL take-up rate is not higher than 41.0%.[47]

## 4.4 Participation by Socio-Economic Characteristics

According to Statistics Canada data, female apprentices accounted for 10.3% of all Red Seal trade apprenticeship certificates in 2014,[48] but only 5.2% of CAL loans went to women (see Exhibit 1).[49] Note that due to a lack of socio-economic data on Red Seal apprentices, statistics collected on registered apprenticeship certificates in Red Seal trades is used as a proxy for apprentices in training.

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[45] This is based on 38,943 divided by 0.8, which equals 48,679. Note that some apprentices in the focus groups indicated that they did not have enough hours of employment during their apprenticeship to qualify for EI benefits.

[46] Accounting for the fact that 77.2% of all apprentices are registered in a Red Seal trade implies that only 37,580 of these 48,679 apprentices would be eligible for the CAL. Further, since 0.7% of all CAL applicants fail a credit check, only 37,317 of these 37,580 apprentices would be eligible for the CAL.

[47] Phase 2 of the CAL evaluation will include a survey that may help in the estimation of a more accurate take-up rate. It is worth noting that according to the Office of the Chief Actuary 2014 report on the CSLP, the CSLP take-up rate was in the vicinity of 40%.

[48] http://www.red-seal.ca/others/2014ccd.1_.1r-eng.html

[49] A Certificate of Qualification in a trade can be obtained by registered apprentices who have completed their training and successfully passed their examination. A Certificate of Qualification can also be obtained by individuals known as "trade qualifiers"/"challengers." These individuals have extensive experience and knowledge in a trade but have not completed a formal apprenticeship training program. However, they can write ("challenge") the examination and, if successful, receive their Certificate of Qualification. Certificates granted each year are either awarded in Interprovincial Standard Red Seal endorsed trades or in non-Red Seal endorsed trades. The Red Seal endorsed trades were established to provide mobility for anyone who has obtained the Red Seal endorsement on their certificate, allowing them to work in any province or territory that recognizes the Red Seal endorsement, without that individual having to re-write their examination.

**Exhibit 1: Distribution of Red Seal Trade Apprenticeship Certificates, Apprenticeship Grant Recipients, CAL Loan Applications Submitted and CAL Loans Disbursed**

| | Red Seal Trade Apprenticeship Certificates (2014) | Apprenticeship Incentive Grant Recipients (2015) | Apprenticeship Completion Grant Recipients (2015) | Canada Apprentice Loan (2015) | | |
|---|---|---|---|---|---|---|
| | | | | Loan Applications Submitted | Loans Disbursed | % of Loan Applications Approved |
| Total (#) | 29,622 | 53,926 | 24,870 | 20,236 | 15,289 | 75.6 |
| **Sex (%)** | | | | | | |
| Female | 10.3 | 9.3 | 8.5 | 5.3 | 5.2 | 77.8 |
| Male | 89.7 | 90.7 | 91.5 | 94.7 | 94.8 | 81.6 |
| **Age (%)** | | | | | | |
| Under 25 | 25.3 | 40.6 | 22.8 | 29.9 | 30.0 | 83.7 |
| 25-34 | 52.5 | 42.0 | 54.4 | 49.8 | 50.6 | 84.9 |
| 35-44 | 15.8 | 12.5 | 16.3 | 15.4 | 14.8 | 80.5 |
| Over 44 | 6.3 | 4.8 | 6.5 | 5.0 | 4.6 | 78.4 |
| **Jurisdiction (%)** | | | | | | |
| Newfoundland and Labrador | 2.6 | 2.8 | 3.1 | 1.5 | 1.6 | 80.7 |
| Prince Edward Island | 0.4 | 0.7 | 0.6 | 0.3 | 0.2 | 59.3 |
| Nova Scotia | 2.8 | 2.2 | 2.5 | 3.4 | 3.4 | 76.8 |
| New Brunswick | 2.7 | 3.0 | 2.9 | 3.3 | 3.4 | 77.2 |
| Ontario | 33.1 | 25.6 | 28.8 | 16.5 | 14.6 | 67.1 |
| Manitoba | 4.7 | 4.6 | 4.9 | 5.2 | 5.8 | 84.4 |
| Saskatchewan | 6.3 | 5.7 | 6.9 | 6.0 | 6.0 | 76.0 |
| Alberta | 31.2 | 36.2 | 34.4 | 43.8 | 45.2 | 78.2 |
| British Columbia | 15.8 | 18.8 | 15.5 | 19.4 | 19.5 | 76.1 |
| Territories | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 64.6 |
| Other | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 |
| **Apprenticeship Trade (%)** | | | | | | |
| Construction Electrician | 21.0 | 21.0 | 19.7 | 24.2 | 25.1 | 78.5 |
| Plumber/Steamfitter/Pipefitter | 11.2 | 10.8 | 10.0 | 16.8 | 17.1 | 77.3 |
| Welder | 6.6 | 7.7 | 7.1 | 9.8 | 9.7 | 74.9 |
| Carpenter | 12.5 | 9.9 | 11.4 | 7.8 | 8.0 | 77.5 |
| Automotive Service Technician | 10.0 | 5.9 | 6.1 | 6.1 | 5.7 | 71.1 |
| Heavy Duty Eqpmt. Technician | 3.8 | 4.1 | 3.4 | 3.8 | 3.9 | 78.4 |
| Industrial Mechanic | 3.3 | 4.2 | 4.0 | 3.8 | 3.9 | 77.4 |
| Truck and Transport Mechanic | 1.5 | 1.9 | 2.2 | 3.6 | 3.6 | 75.8 |
| Hairstylist | 7.3 | 4.9 | 6.1 | 0.3 | 0.2 | 51.0 |
| Other | 22.8 | 29.6 | 30.0 | 23.9 | 22.8 | 72.1 |
| **Training Length in weeks (%)** | | | | | | |
| 5 and Less | -- | -- | -- | 3.7 | 3.5 | 79.1 |
| 6-7 | -- | -- | -- | 18.5 | 19.2 | 85.3 |
| 8 | -- | -- | -- | 53.3 | 57.4 | 88.1 |
| 9-10 | -- | -- | -- | 14.8 | 15.6 | 86.3 |
| 11-16 | -- | -- | -- | 4.0 | 3.8 | 77.0 |
| Over 16 | -- | -- | -- | 5.7 | 0.5 | 6.9 |

Sources: (1) Statistics Canada. Table 477-0055 – Registered apprenticeship or trade qualifier certificates, by age groups, sex, major trade groups and Red Seal or non-Red seal indicator, annual (number), CANSIM (database), for Red Seal apprentices data; (2) Apprenticeship Incentive Grant and Apprenticeship Completion Grant data supplied by Skills and Employment Branch for Apprenticeship Incentive Grant and Apprenticeship Completion Grant data; and (3) MicroStrategy D&H tool for CAL data. Note: Quebec is excluded, as Quebec's student financial aid system provides support. Values may not sum to 100% due to rounding.

One plausible reason for the above difference is the fact that female apprentices tend to be enrolled in short-duration Red Seal trades (e.g. cook, baker or hairstylist).[50] The shorter the program duration, the fewer periods of block release training they will be enrolled in and the faster they will complete their apprenticeship program. It should be noted that female apprentices accounted for 30.4% of all apprentices in non-Red Seal trades in 2014.[51]

Roughly half (50.6%) of all CAL loan recipients in 2015 were apprentices in the 25-34 year-old age group, which when combined with the under-25 age group represents more than 80% of the total number of recipients.

By province/territory, although Alberta accounted for 31.2% of all registered Red Seal apprenticeship certificates in 2014, Alberta comprised 45.2% of all CAL recipients in 2015.[52] Conversely, Ontario accounted for 33.1% of all registered Red Seal trade apprenticeship certificates in 2014, but only 14.6% of CAL recipients were from Ontario. There was a fairly wide variance in CAL application approval rates, as 84.4% of all applications submitted in Manitoba were approved compared to only 59.3% in Prince Edward Island and 67.1% in Ontario.

The three apprenticeship trades accounting for the most CAL recipients were construction electricians (25.1%), plumbers/steamfitters/pipefitters (17.1%) and welders (9.7%) – see Exhibit 2 below.[53] Out of the 56 Red Seal trades, the bottom 47 apprenticeship trades together accounted for 22.8% of all CAL recipients. CAL application approval rates by apprenticeship trade didn't vary as much as for province/territory, although hairstylists had a much lower approval rate (51%) compared to other trades (which ranged from 71.1% to 78.5%).

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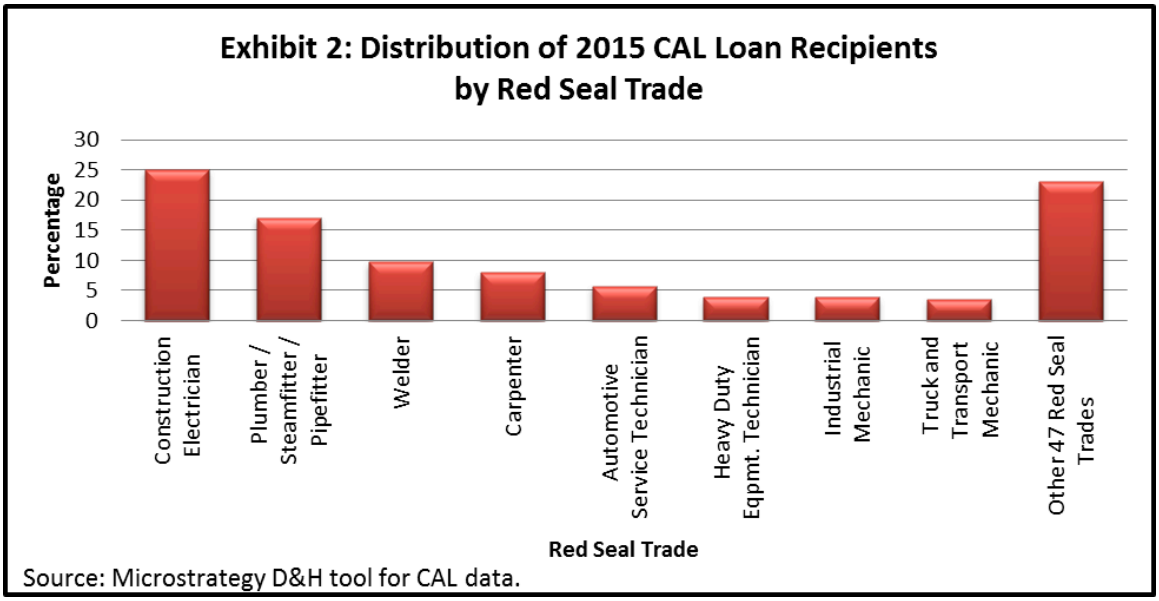
[50] The duration of apprenticeship training varies depending on the trade and the province or territory. Most programs are designed to last four years. However, some programs last five years while others last two or three years. According to the 2007 National Apprenticeship Survey, the average time to complete an apprenticeship program is five years.

[51] According to CANSIM Table 477-0055, there were 11,223 non-Red Seal trade apprenticeship certificates in 2014, of which 3,417 (or 30.4%) were female.

[52] It is possible that the higher figures for Alberta were due to the collapse in oil prices (which began in 2014) and the resulting negative impact on oil sector workers vis-à-vis layoffs.

[53] Note that plumbers are grouped with steamfitters and pipefitters in Exhibit 2 in order to be comparable to the RAIS data.




Almost 60% of all CAL recipients underwent an 8-week period of technical training. Applications for 8 weeks of technical training were also the most likely to be approved (88.1% approval rate).

## 4.5 Comparison to Apprenticeship Grant Participation

Exhibit 1 shows that the sex distribution of Apprenticeship Incentive Grant and Apprenticeship Completion Grant recipients was similar to that of Red Seal trade apprenticeship certificates.

By age, Apprenticeship Incentive Grant recipients were far more likely to be under 25 years of age (40.6%) than either Apprenticeship Completion Grant recipients (22.8%) or CAL recipients (30.0%).

In general, the distribution of Apprenticeship Incentive Grant recipients was comparable to that of Apprenticeship Completion Grant recipients when considering jurisdiction. Compared to CAL loan recipients, more Apprenticeship Grant recipients were from Ontario (about 27-28% versus 14.6%), while more CAL loan recipients were from Alberta (45.2% versus about 35%).[54]

By apprenticeship trade, the distribution of Apprenticeship Incentive Grant and Apprenticeship Completion Grant recipients more closely resembled the distribution of Red Seal trade apprenticeship certificates than CAL applicants and recipients, with some exceptions (e.g. automotive service technicians).

[54] Note that more apprentices in Ontario are eligible for Apprenticeship Grants than in Alberta, as eligibility does not hinge on going on block release training (as it does for the CAL). Approximately 50% of apprentices in Ontario take block release training compared to about 80% in Alberta.

## 4.6 How CAL Loans are used

Focus group participants noted that they used the funding from their CAL loans to fill in the gaps left by EI and personal savings. Many mentioned that they would not have been able to attend block training without this support. The CAL loan funding went to direct training-related costs such as books, to trade-specific expenses such as tools, and for living expenses such as food and rent. Many used the CAL directly to pay off higher interest debt related to apprenticeship including credit cards. As a result of the CAL, use of other loans by recipients was limited, except for the continued use of credit cards. Although most mentioned that the CAL paid for expenses during block training, some used the CAL to "make ends meet" after the block period while awaiting the next job.

## 4.7 Use of Other Apprentice Support Measures

Most CAL recipients in the focus groups reported EI benefits as an income source during their block release training period. Almost two-fifths reported having received the Apprenticeship Incentive Grant, while few indicated receiving provincial/territorial financial assistance. Almost half identified EI benefits as their primary income source, while about one in five indicated that the CAL was their primary income source. None of the CAL recipients listed either Apprenticeship Grants or provincial/territorial financial assistance as their primary source of financial support, perhaps a reflection of their size in comparison to CAL loans and EI benefits.[55]

[55] Among CAL-eligible non-recipients, again the vast majority reported EI benefits as an income source during their block release training period, a few reported having received the Apprenticeship Incentive Grant, while about one in five indicated receiving provincial/territorial financial assistance. Almost half of the participants identified EI benefits as their primary income source. None listed either Apprenticeship Grants or provincial/territorial financial assistance as their primary source of financial support. It is worth noting that CAL-eligible non-recipients relied much more heavily on the use of personal savings, credit cards and scholarships/bursaries.

# 5. *Administrative Costs*

This section addresses the two questions related to the administrative costs of the CAL:

- What are the administrative costs for the CAL program and what is the trend (per recipient, per dollar administered)?
- How do they compare to the administrative costs of Apprenticeship Grants and other department programs?

## 5.1 CAL Administrative Costs

Since the CAL, CSLP, Canada Student Grants Program and Canada Education Saving Program administrative costs are grouped together under 'Learning', it is not possible to determine the precise cost of each program.[56] However, one previously used methodology for coming up with an estimate is to allocate costs based on the expenditures of each program.[57]

To estimate total CAL administrative costs over time, it is necessary to examine the statutory[58] administrative cost, the operating cost, and costs related to the delivery of the CAL (i.e. service provider costs, which represent the cost associated with contracted services with third-party service providers that the CSLP uses to administer CAL origination, in-training loan management, post-training repayment activities and repayment assistance).

The service delivery costs during the first fiscal year of the CAL (2014-15) were $2.5 million while costs during 2015-16 were $1.6 million (see Exhibit 3). Although costs during 2014-15 only included those from January 2015 to March 2015, the majority of these were related to implementation as the program was being developed by the service provider. Implementation costs are expected to decline significantly following the final implementation phase in October 2016.[59]

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[56] This grouping is based on the second Strategic Outcome noted in the 2016-17 Report on Plans and Priorities. For further information, see https://www.canada.ca/en/employment-social-development/corporate/reports/plans-priorities/2017/outcome.html#h2.1-h3.2.

[57] Evaluation recently used this methodology for estimating the Canada Student Grants Program administrative costs in the *Summative Evaluation of the Budget 2008 CSLP Enhancements*.

[58] The 2013-14 version of the CSLP Annual Report indicated the different statutory administrative costs related to the delivery of the CSLP (loans and grants) and the CAL. Most of the costs described are related to student loans (such as collection costs) and risk premiums, as the CAL repayment phase has not yet fully matured.

[59] The CAL was implemented in three phases – Phase 1A in January 2015 which focused on applications, disbursement and account management; Phase 1B in May 2015 which focused on confirmation of enrolment via the electronic portal; Phase 2 in July 2016 which pertained to registration confirmation for maintaining interest-free status; and Phase 3 in October 2016 for loan repayment.

To identify the CAL operating costs within the Department, the Treasury Board Main Estimates (Part II) were used. These estimates indicate the planned expenditures of the Department but do not show the detailed operating expenses of the CAL. Nevertheless, the Main Estimates provide information on operating expenses based on the departmental strategic outcome of 'Learning'.

Exhibit 3 (column A) shows the Learning operating budget, with operating costs of $134.6 million for fiscal year 2015-16. Column B shows the amount of CAL disbursements ($62.8 million in 2015-16 – based on CAL administrative data) and Column C shows the amount of Learning Transfer payments made (almost $3.3 billion in 2015-16).[60] Column D shows what CAL disbursements are as a share of total Learning Transfer payments (1.9% in 2015-16).

Assuming that the same level of dollar effort is needed to operate all of the Learning programs, the *estimated* operating budget for the CAL (column E) is calculated based on the share of total Learning transfer payments that CAL disbursements comprise.[61] Multiplying 1.9% by $134.6 million leads to an estimated CAL operating budget of $2.6 million for 2015-16 which, when coupled with the service delivery cost of $1.6 million in 2015-16, implies total administrative costs of $4.2 million for 2015-16. Note that Phase 2 of the evaluation will attempt to develop a more in-depth methodology for estimating CAL administrative costs, as it is likely incorrect to assume that the same level of dollar effort is needed to operate all of the Learning programs.

**Exhibit 3: Estimated Operating Budget for the Canada Apprentice Loan ($ Millions) from 2013-14 to 2015-16**

| Fiscal Year | Learning Operating Budget (A) | CAL Disbursements (B) | Learning Transfer Payments (C) | CAL Disbursements as % of Learning Transfers (D) = (B)/(C) | *Estimated* CAL Operating Budget (E) = (A)*(D) | Service Delivery Cost (F) | Total Admin. Costs (G) = (E) + (F) |
|---|---|---|---|---|---|---|---|
| 2013-14 | 145.2 | -- | 2,753.4 | -- | -- | -- | -- |
| 2014-15 | 134.6 | 18.8 | 2,881.0 | 0.7 | 0.9 | 2.5 | 3.4 |
| 2015-16 | 134.6 | 62.8 | 3,284.2 | 1.9 | 2.6 | 1.6 | 4.2 |

Sources: Main Estimates, Part II, Treasury Board, from 2013-14 to 2014-15 and CAL administrative data.
Notes:
1. The Learning Operating Budget for fiscal year 2015-16 was established at the same level as 2014-15.
2. CAL disbursements for fiscal year 2014-15 only include figures for January-March 2015.
3. Most service delivery costs for fiscal year 2014-15 were implementation costs as the program was being built by the service provider.

In terms of administrative costs per CAL recipient, there were 16,270 CAL recipients between April 2015 and March 2016. Thus, the estimated administrative cost per CAL

[60] These payments include budgetary payments related to the direct financing arrangement under the *Canada Student Financial Assistance Act*, Canada Education Savings Program payments, and non-budgetary payments (loans, investments and advances).
[61] This assumption means, for instance, that the same number of ESDC employees is needed to deliver the CAL as the student loans, the student grants, or any other programs under the Learning strategic outcome.

recipient was $258 (or $160 if considering only the estimated CAL operating budget – i.e. excluding the service delivery cost).

## 5.2 Administrative Costs of Other ESDC Programs

Since service delivery models for each program can vary significantly, making comparisons across programs challenging. For example, program delivery for the Canada Education Savings Program is a collaborative effort between the federal government and numerous Registered Education Savings Plan promoters (financial institutions, banks, scholarship foundations, etc. who receive no remuneration from ESDC), whereas programs such as EI are delivered solely by the federal government.

The Apprenticeship Grants program, which is delivered by Service Canada, had $114.5 million in grant funds available to apprentices in 2013-14 and $97.3 million in funds were dispersed.[62] In understanding the operational costs to implement the program, one must account for the administrative costs of Service Canada and other parts of the program within ESDC, along with the costs of supporting communication campaigns. Service Canada provides support to the program in processing applications, communicating with applicants to correct information on applications, answering questions from front-line staff, and interpreting policy. Service Canada expenditures for this program were estimated at $5.2 million for 2013-14.[63] ESDC policy and program areas support the program with further policy development and by fielding policy questions that Service Canada cannot answer. The ESDC policy team operates on a budget of approximately $300,000 per year.[64]

The 2013-14 administrative costs, excluding the costs of the awareness campaigns, were therefore around $5.5 million for a program with a grants budget of $97.3 million. In terms of administrative costs per Apprenticeship Grant recipient, there were 74,624 recipients between April 2013 and March 2014. Thus, the total administrative cost per recipient was $74 ($5.5 million divided by 74,624). This operating budget per recipient is significantly lower than that reported for the CAL ($160). However, this is comparing a non-repayable grant to a repayable loan – it is likely that operational processes or other variables may explain the difference.

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[62] R.A. Malatest & Associates Ltd, "*Key Informant Interviews Technical Report for the Summative Evaluation Of The Apprenticeship Grants*", Prepared for ESDC, December 30, 2014. The average amount spent on the Apprenticeship Grants program from 2009-10 to 2013-14 was $99.7 million, calculated using ESDC Departmental Performance Reports for 2011-12 to 2013-14.

[63] Tables produced by the Evaluation Directorate based on input from the Chief Financial Officer Branch of ESDC were created and information provided was verified with the program area.

[64] This includes three full-time equivalent salaries plus employee benefits.

# 6. *Awareness and Program Delivery*

This final section of Phase 1 evaluation findings addresses evaluation questions pertaining to the delivery and awareness of the program – specifically, questions 13 to 15 of the matrix in Appendix 1.

## 6.1 Implementation Issues

Focus group participants indicated that few (if any) implementation issues were experienced – the application process appeared to run smoothly and the eventual delivery of the funds was considered timely. However, recipients noted that they could have been better supported with improved access to information. For instance, most recipients reported that they had not received a clear communication from the Program apart from how to receive the funds (there was not even a receipt) – rather, the loan just appeared.[65] There was also some dissatisfaction about not being updated on the amount owing on a loan or being adequately informed about the terms of repayment.[66]

The vast majority of key informants felt that the implementation of the Program went well and, overall, the timely provision of CAL was seen as a success. The mechanism used to disburse loans was built on a pre-existing program (i.e. the CSLP), which was seen to be helpful in preventing glitches. However, some concerns were identified:

- Improve the notice of approval and reminder notifications so that the reminder occurs at a later date, as it was noted that the approval and reminder notifications were sometimes going out at the same time. Further, there were sometimes delays in apprentices receiving approval notifications on time to make decisions.

- During the early implementation of the CAL program, some technical training providers that offered both longer term courses and block release technical training had uncertainty regarding the CAL eligibility for some programs. However, in instances where this happened, the CSLP was available to assess the situation and provide necessary direction to technical training providers.

Lastly, some key informants mentioned that Information Sharing Agreements were not in place until July 2016, which made it difficult for some provinces and territories to get the

[65] However, according to the Program, applicants who are approved for a CAL receive approval and disbursement notifications based on their channel of choice (i.e. online or paper).
[66] Shortly after the focus groups were conducted, a repayment solution was implemented in October 2016, implying that CAL recipients now have access to their account balance and repayment information on-line.

data they needed from a program delivery standpoint.[67] Developing and approving these agreements was seen to be a challenging and time consuming task by some.

## 6.2 Program Delivery

CAL recipients who participated in the focus groups were pleased with the delivery of the CAL program. Almost all found the application process to be simple, whether it was completed online or in a Service Canada office. Most recipients had visited the website and found it to be streamlined and easy to use. They liked that they could log onto the Government of Canada website to get the information about their loan. Many were pleased that their imperfect credit history did not exclude them from receiving the loan.

Further, the CAL was considered timely by both focus group participants and key informants, especially when considered against other supports, such as the Apprenticeship Grants or EI. For most, the CAL was received before their first day of class and, as a result, recipients were able to pay for education expenses immediately.

In terms of barriers that might have prevented some apprentices from applying for and receiving loans, some CAL-eligible non-recipients in the focus groups identified being unaware of the program. Even among those who were aware of the program, many lacked a basic understanding of repayment terms which was cited as a barrier to feeling comfortable applying for the CAL (although information on repayment terms is available on the CAL website).

While not necessarily barriers, a number of other reasons were put forward by non-participants to explain why they did not apply for or receive a CAL loan, with the main reasons including a lack of need; a lack of comfort with loans and accumulating additional debt; and a lack of job security and fear about their ability to repay the loan (again, lack of understanding of repayment assistance was likely a factor).

Regarding improving program delivery, some key informants made the suggestion to integrate the CAL with the Apprenticeship Grant program in order to: improve messaging from the message centre; make the application process mobile friendly; and continue allowing in-person applications.

## 6.3 Awareness

Approximately half of the focus group participants not in receipt of a CAL loan had heard of the CAL. Even those that were aware knew little regarding the loan terms – their awareness was frequently limited to recognizing the name of the program or simply that the federal government had a loan for apprentices. By comparison, awareness of the

[67] According to the Program, this was intentional in order to align with the phased implementation approach. The Information Sharing Agreements were never intended to be in place at start-up due to the level of effort required to implement this new program.

Apprenticeship Grants was higher – likely due to this program being in existence for a longer time period (since 2007).[68] Awareness of the CAL had been developed largely through the efforts of participants' schools. In particular, many mentioned that someone visited their class on the first day and gave a brief introduction on various supports available to them. These presentations appear to have been short and light on details. Many non-recipients reported that they found the information provided in-class to be confusing. Often the main message was limited to referring apprentices to relevant websites. As these discussions often only occurred on the first day of the first training block, many apprentices in their later years were unaware of the CAL simply because their first block occurred before the CAL was available. Other non-recipients mentioned that they had learned about the CAL though online searches, television or radio ads, or word-of-mouth.

Awareness of the CAL was understandably higher among recipients themselves, although many were unaware of the repayment terms. Many recipients knew to turn to the website to find answers about repayment, but opinions were mixed about whether the website readily provided the needed information. Recipients became aware of the CAL through a wider variety of sources than non-recipients. Although in-class discussions were common among recipients, they appeared to have been more likely to have heard about the CAL through a welcome package sent to them through the mail, through their union representatives, from their mentor on the job, or their peers in the program.

Even CAL recipients reported that they were apprehensive at first about taking a loan. But as they learned more about the features of the CAL, they became more comfortable with it. Thus, increasing awareness of the CAL should go beyond mere recognition of the program and comprehensively detail its benefits. Many participants indicated that the government could do more to promote the CAL. They suggested that unions and employers be made more aware so they can pass information on to eligible apprentices. Further, some expressed that awareness of the program should be increased among those that are considering apprenticeship. Moreover, they added that learning about the loan on the first day of class was too late to encourage people into the trades.

[68] This may also, in part, be due to the fact that the CAL is not mentioned on the "Employment Insurance for apprentices" website, whereas the Apprenticeship Grants are mentioned (http://www.esdc.gc.ca/en/support_apprentices/ei_apprentices.page). Further, provinces and territories include information about Apprenticeship Grants when they receive Level 1 and 2 certification documents as well as a Certificate of Qualification.

# 7. Conclusions, Recommendations and Future Work

Evaluation findings suggest there is a need for the CAL – apprentices would face a funding shortfall for technical training in the absence of the program – even when factoring in EI benefits (which were perceived to not be very timely in their delivery compared to the CAL).

In 2015, just over 20,000 CAL applications were submitted and 75.6% (15,289) were approved, leading to disbursements totaling $58.8 million. The take-up rate for the CAL was calculated to be 41.0% in 2015, influenced by many apprentices being unaware of the program, choosing not to apply for a loan due to a misunderstanding of loan repayment terms, not needing a loan or using other sources of financial support.

From an administrative cost perspective, the total CAL administrative cost per loan recipient was $258 in 2015-16 (or $160 if excluding the service delivery cost). This latter figure was still significantly higher than the comparable figure ($74) reported for the Apprenticeship Grant program in 2013-14.

Focus group participants and key informants were nearly unanimous in agreeing that few (if any) implementation issues were experienced, aside from a desire to have improved access to information (namely, loan repayment information) and better coordination among various apprenticeship support stakeholders in streamlining the delivery of information to apprentices.

## 7.1 *Early Observations*

1. Recognizing that different types of technical training (e.g. online training) are highly relevant for apprentices, it will be important to consider opportunities for the CAL to respond to innovation in the delivery of technical training as the program matures.

2. Future awareness campaigns and communications to key program stakeholders may benefit from detailed information on loan repayment terms, as many apprentices indicated not applying for a loan out of concern of not being able to repay the loan in the future. This suggests a lack of understanding of the repayment assistance that is available to apprentices.

## 7.2 *Future Work*

Given that Phase 2 of the evaluation is still forthcoming, recommendations on future work will be withheld until its completion.

# *Appendix 1 – Phase 1 Evaluation Questions*

| Evaluation Issue/Question | Section of this Report | Source Documents |
|---|---|---|
| **Relevance – Continued Need for the Program** | | |
| 1. Is there a need for the CAL given existing apprentice support measures, the cost of technical training, and overall apprenticeship program costs? | 3.1 | KII, FG, DR |
| a. To what extent do apprentices continue to be paid by their employer during their technical training? | 3.1.3 | KII, FG, DR |
| b. To what extent do loans respond to the needs of the different sub-populations of apprentices? | 3.1 | KII, DR |
| c. Are there other ways to provide support to apprentices during the technical training period that would better respond to the needs of apprentices? | 3.1.4 | KII, FG |
| 2. Do the objectives of the CAL align with federal government priorities and departmental strategic objectives? | 3.2 | KII, DR |
| a. What is the role and responsibility for the federal government in delivering financial support to apprentices? | 3.3 | KII, DR |
| **Outputs** | | |
| 3. To what extent has CAL participation and take-up matched expectations? | 4.2, 4.3 | DR, AD |
| a. What is the CAL participation and take-up rate by jurisdiction, gender, trade, year of program, etc.? | 4.2, 4.3, 4.4 | DR, AD |
| b. To what extent is CAL participation similar to Apprenticeship Incentive Grant participation by jurisdiction, gender, trade, year of program, etc.? | 4.5 | DR, AD |
| 4. What are the annual CAL disbursements to apprentices? | 4.2 | AD |
| **Achievement of Expected Outcomes – Short-Term Outcomes** | | |
| 5. At what stage during their apprenticeship program are apprentices applying for loans and how many loans are they applying for? | 4.1 | FG, AD |
| 6. To what extent are CAL loans used to cover the cost of technical training and other related expenses such as tools, additional living expenses, etc.? | 4.6 | FG |
| **Achievement of Expected Outcomes – Medium-Term Outcomes** | | |
| 7. What is the level of indebtedness of CAL borrowers by jurisdiction, gender, etc.? | | |
| 8. To what extent is the interest rate charged to CAL borrowers in line with the market and other comparable government loan regimes? | | |
| 9. To what extent are CAL loans being repaid? | | |
| a. To what extent are CAL borrowers required to start repaying their loans because they have completed their apprenticeship training compared to other reasons? | | |
| b. How does this vary by type of apprenticeship trade? | | |
| c. To what extent are CAL borrowers entirely repaying their loan one year after being required to start repayment? | | |
| d. To what extent are CAL borrowers using the Repayment Assistance Plan during the first year after being required to start repayment? | | |

| | | |
|---|---|---|
| **Achievement of Expected Outcomes – Long-Term Outcomes** | | |
| 10. To what extent is it possible to isolate the impact of the CAL on the number of apprentices who complete their apprenticeship training? | | |
| **Performance – Demonstration of Efficiency and Economy** | | |
| 11. What are the administrative costs for the CAL program and what is the trend (per recipient, per dollar administered)? | 5.1 | DR |
| a. How do they compare to the administrative costs of Apprenticeship Grants and other department programs? | 5.2 | DR |
| 12. To what extent are apprentices using other financial support such as the Apprenticeship Incentive Grant, EI benefits, and/or provincial/territorial financial assistance to cope with technical training costs and overall apprenticeship program costs? | 4.7 | KII, DR |
| a. To what extent are CAL recipients receiving other financial support such as Apprenticeship Grants, EI benefits, and/or provincial/territorial financial assistance? | 4.7 | KII, DR |
| **Awareness and Program Delivery** | | |
| 13. To what extent have there been implementation issues in delivering the CAL? | 6.1 | KII, FG |
| a. To what extent have there been issues with the confirmation process of enrolment by technical training providers? | 6.1 | KII |
| b. To what extent have there been issues with the sharing agreements with all provincial/territorial authorities to confirm the registration status of CAL recipients? | 6.1 | KII |
| 14. What has been the impact of the service delivery strategy in delivering the CAL? | 6.2 | KII |
| a. To what extent are CAL loan recipients satisfied with the service delivery? | 6.2 | KII, FG |
| b. Is there any barrier that prevents apprentices from applying for and receiving loans? | 6.2 | KII, FG |
| c. To what extent are CAL loans being delivered in a timely fashion and how does it compare to other apprentice-related support measures? | 6.2 | KII, FG |
| 15. To what extent are apprentices and stakeholders (e.g. career counsellors, unions, industry associations, etc.) aware of the CAL and its features? | 6.3 | KII, FG |

**Notes:**
1. Some questions will also have evidence derived from Phase 2 of the CAL Evaluation.
2. Cells shaded in green will be addressed exclusively during Phase 2 of the CAL Evaluation.

**Lines of Evidence for Phase 1 of the CAL Evaluation:**
KII – Key Informant Interviews
FG – Focus Groups
DR – Document Review
AD – Administrative Data Analysis

# *Appendix 2 – Studies/Analyses Conducted in Support of Phase 1 of Evaluation*

ESDC (2016), "Administrative Data Analysis for the Evaluation of the Canada Apprentice Loan (CAL) – Phase 1", various files

This analysis consists of tables and documents collected from various sources including CAL administrative data from the Davis and Henderson online tool (i.e. the CAL service provider), Apprenticeship Grant summary data from the Trades and Apprenticeship Division, and Red Seal apprentice data from Statistics Canada's CANSIM databases.

ESDC (2016), "Document Review for the Evaluation of the Canada Apprentice Loan (CAL) – Phase 1"

This document encompasses the literature/file review for the evaluation of the CAL program and includes an outline of apprenticeship programs, CAL program objectives and a program overview. The report also surveys alternative funding programs for apprentices at both the federal and provincial levels and examines the direct and indirect costs of attending technical training. Further, the report provides an overview of apprenticeship funding policies in the US, UK and Australia to provide an international perspective. Finally, the review evaluates CAL program outputs and compares them to the expected goals of the program, and compares the interest rate options available to borrowers to those available in other government and private loan programs

ESDC (2016), "Key Informant Master Matrix for the Canada Apprentice Loan (CAL) Evaluation – Phase 1"

This document summarizes findings from 28 key informant interviews with federal officials from the CSLP Directorate and the Trades and Apprenticeship Division, employees at the Canada Apprentice Loan Service Centre, provincial/territorial apprenticeship authorities, approved technical training providers, and national apprenticeship stakeholders. The interviews took place in September and October of 2016 and were designed to be approximately 20 to 30 minutes in length.

R. A. Malatest and Associates Ltd. (2016), "Focus Groups for the Summative Evaluation of the Canada Apprentice Loan", prepared for ESDC

This document provides findings from focus groups which were completed in five cities across Canada with CAL program participants (i.e. loan recipients) and CAL-eligible non-participants (i.e. those that could have received the loan but did not). To inform the overall evaluation, this document summarizes the discussions from the focus groups with respect to apprentices' financial needs, sources of financial support, experiences related to the CAL and suggestions on what else government could provide to apprentices.