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# Selling Postsecondary Education:

*The Role of Private Vocational  
and Career Colleges*

Doug Auld

***In this issue...***

*Private career colleges play a key role in post-secondary education. Their rapid response to demands for training enhances labour market flexibility. The sector needs better self-regulation and its students should receive more public support.*

## ***The Study in Brief***

Private Career Colleges play an important and unique role in Canada's education system. There are over 1,000 of them, with overall enrolment totalling approximately 125,000 full- and part-time students. The majority provide training programs, usually one year or less in duration, that lead directly to entry-level positions in a particular field of work. Some are single-firm businesses, while others are large, multinational corporations operating in various cities across Canada and the United States.

The time seems ripe to reconsider Canada's approach to private career colleges in two important areas: First, is the sector over- or under-regulated according to the usual criteria for government regulation? Second, should the government provide more financial support to this sector?

All private career colleges and vocational institutes in Canada are governed by provincial statutes and regulated by one or more provincial ministries or agencies. Overregulation stifles innovation and limits entry. The sector and the Canadian labour market would be better served if an expanded system of self-regulation replaced the current approach. Instead of day-to-day, quasi-management of the sector, the role of the provincial authorities would be limited to an annual review to ensure that the relevant provincial association was fulfilling its self-regulatory duties.

The case for public funding for education and training rests on demonstrated direct and indirect social benefits. Aside from possible differences in the nature and magnitude of the social benefits stemming from private vocational education as compared to other forms of post-secondary education, there are no compelling reasons to exclude private institutions or their students from public assistance. Students who graduate from private career colleges fare better, economically and socially, than students who possess only a high school credential, creating social benefits in terms of higher tax revenues and lower rates of unemployment. In addition, the sector provides a rapid training response mechanism to help fill labour market shortages, which raises the overall productivity of the economy. Because private career college students typically pay higher fees than community college or university students, governments could increase the level of public support by upping the student loan limits for students in this sector.

## ***The Author of This Issue***

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The words “private college” conjure up for most people a vision of a well-established institution attended primarily by children of privilege, such as Ridley College, Albert College, or Upper Canada College. There exists, however, another system of private colleges that spans Canada, providing a growing range of courses and programs that prepare individuals for specific labour market careers.

Private career colleges (PCCs) are not a new phenomenon; some of them date back to the late 19th century, such as Westervelt College in London, Ontario, and others, while somewhat more recent, have a distinguished history. Many of the producers and technical staff who produced Canadian radio shows in the 1950s, for example, were educated at the Radio College of Canada in Toronto. As far back as 1896 there was a national association of PCCs known as the Business Educators Association. Today, it has been replaced by the National Association of Career Colleges (NACC), which has a membership of more than 400 colleges and institutes across Canada. Since the NACC is a voluntary association, however, its membership does not represent the total number of PCCs in Canada, which is over one thousand.

PCCs exist under a number of business models: incorporated businesses, sole proprietorships, and registered partnerships. Overall enrollment in these institutions totals approximately 125,000 full- and part-time students.<sup>1</sup> Students attending these institutions pay fees that, for some programs, are considerably higher than the annual tuition at most community colleges or universities.

Two notable features of PCCs as distinct from other institutions of higher education are of particular interest: First, they are subject to extensive and detailed regulations established by each province and territory. Second, they do not receive any direct funding from provincial governments, although their students may borrow from the same government agencies that loan money to university and community-college students.

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1 There exists very little consistent and accurate data regarding private career colleges in Canada. There is no Statistics Canada enrollment data collected for this sector and no official published data from provinces and territories. This estimate provided by the NACC is based on the enrollment of its member colleges. Survey data collected by the author (see Appendix B) suggest that total enrollment has declined in the past five years, as has the number of private colleges. Note that many career colleges have multiple campuses; for example, there are 46 members of NACC registered in Alberta, but one of them, The Academy of Learning, has 9 campuses. In Ontario, CDI Canada operates 24 individual campuses.

This commentary examines the importance of this sector for higher education in Canada and its operational platform, reviews briefly the regulatory framework within which these schools currently operate, and compares and contrasts this sector with other higher-education sectors in terms of its contribution to society and individual welfare. Based on this analysis, a case will be made for changes in how this sector is regulated and for increased provision of public support.

## **The Operational Framework for PCCs in Canada**

PCCs are a significant sector, one that has a unique place in the complicated realm of educational policy in Canada. In this section, I begin with some background information about the sector to inform the rest of the analysis. I then examine how this sector fits into the larger context of education in Canada — how does it compare with the range of publicly funded institutions that exist, both in terms of what its institutions offer and in terms of how it is treated in public policy?

Finally, I examine the two aspects of PCCs that are the main focus of public policy decision, and of this paper: the sector's financial viability, and its regulatory framework.

### *Sector Overview*

As noted above, there are over 1,000 registered PCCs in Canada, with a total enrollment in excess of 100,000 students (Table 1 provides expenditure data for this sector).<sup>2</sup> The majority of these colleges provide training programs, usually one year or less in duration, that lead directly to entry-level positions in a particular field of work. Some of these schools are single-firm businesses, while others are large, multinational corporations operating in various cities across Canada and the United States.<sup>3</sup>

In Canada, PCCs offer diplomas and certificates in a wide variety of subject areas. They only rarely offer associate or baccalaureate degrees,<sup>4</sup> although increasingly, they do so in the United States. Some programs are aimed to train students very specifically for a particular job — for example, in Newfoundland and Labrador, registered private career institutions include the Atlantic Aviation Academy, which trains pilots, and the Boilermakers Industrial Training Centre. Others teach specific skills that can lead to a broad range of possible career options; CDI Canada, for example, provides year-long programs in business

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2 Estimates provided by the NACC. It is impossible to determine total expenditure in this sector, since education data gathered by Statistics Canada group PCCs with a broad sector involving all vocational, technical, and other training. The data on this broad sector, presented in Table 1, suggest significant growth overall.

3 CDI College is one of four divisions of Corinthian College, Inc., of California. Founded in 1995 to provide programs in health sciences, technology and criminal justice, the company has a market capitalization of \$1.2 billion and has traded on the U.S. stock exchange since 1999. It operates 45 campuses in Canada, offering diplomas in a wide range of subjects. In the United States the school offers diplomas, baccalaureate degrees, and master's degrees on 145 campuses.

4 There are a few exceptions: Ontario's Radio College of Canada has been granted the right to offer baccalaureate degrees, as have a limited number of colleges in British Columbia and Alberta.

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**Table 1:** *Expenditures on Private Vocational and Business School Training in Canada By Province, Selected Years (millions of dollars)*

	1954-5	1964-5	1974-5	1984-5	1994-5	2000-1*
Canada**	3.68	6.63	31.82	68.94	101.10	2,626.04
Newfoundland	–	0.04	0.05	0.13	0.18	44.37
Prince Edward Island	–	0.02	0.02	0.04	0.06	7.27
Nova Scotia	0.07	0.19	0.76	1.57	2.30	57.85
New Brunswick	0.09	0.17	0.28	0.60	2.45	68.25
Quebec	1.32	2.36	4.29	8.52	12.26	459.50
Ontario	1.19	1.90	7.87	16.87	24.81	1,037.86
Manitoba	0.33	0.50	0.96	2.06	2.96	68.35
Saskatchewan	0.16	0.48	1.09	2.40	3.44	56.00
Alberta	0.32	0.52	1.01	2.41	3.37	327.64
British Columbia	0.28	0.43	1.12	2.53	3.71	490.77
Other, Foreign and undistributed			14.47	31.87	45.56	8.18

Source: Statistics Canada. Expenditures on Trade Schools, Private Business Schools and Private Vocational Schools. CANSIM tables 478-0005 and 0006.

\*The very large increase in 2000-1 is the result of Statistics Canada changing its definitions to include all private training (institutional, individual, and corporate) in the series.

\*\*Columns may not add up to national total due to rounding and/or to the non-reporting of amounts from some provinces.

administration and paralegal studies. The Academy of Learning offers both professional-designated programs, such as Microsoft certified technician training, and a broad range of computer-related programs that could be applied in a number of careers.

While programs similar to these can be found in community colleges, it is generally agreed that PCCs have a different objective. For example, the Government of Ontario, in its recent review of private career education, notes that "...registered PCCs can provide a suitable alternative to the training offered by colleges, universities and apprenticeship programs.... Several of the colleges have recently celebrated their 100th anniversaries.... All have the common objective of bringing the student, in the shortest possible time, to the level of a beginning practitioner in their desired field." (Ontario 2005a)

The training offered by PCCs often appeals to

- those who need practical skills to enter or re-enter the work force as quickly as possible,

- mature students who are not interested in academic studies at this point in their lives and want to compress the length of training to minimize their time out of the work force, or
- those who want specific practical skills in addition to their academic qualifications to become more competitive in the market place.

While the limited and focused content of private-college programming is attractive to many, another important part of these schools' appeal is their ability to offer many programs on a continuous-entry basis whereas in most colleges and universities students have to wait until the beginning of a new fall or winter semester to enter a program. Some programs at PCCs are offered on an evenings-only schedule that allows people with day jobs to advance their skills without the opportunity cost of sacrificing their current employment. The success of PCCs across Canada suggests that the combination of training available on demand and curricula focused on the skills needed for entry-level jobs resonates with many learners.

The PCC sector experienced a significant structural change in the late 1980s, when the federal government began permitting educational institutions (both private and public) to bid on government training contracts. A large number of new private colleges appeared on the scene simply for the purpose of bidding on these contracts, competing with the more established private schools. This development changed the makeup of the student body, increasing the proportion of older learners, often on social assistance, and decreasing the proportion of students entering directly from high school. Also, the internal standards of the federally sponsored programs at the new schools occasionally clashed with the established standards in the older ones.

### *PCCs within the Higher Education System*

Where do 1,000 PCCs fit into Canada's higher-education matrix, which also contains over 250 public community colleges and technical institutes and more than 90 universities? Are the public and private systems complementary, or overlapping?

At first glance, there appears to be very limited overlap between the PCCs and Canadian universities, but considerable similarity between PCCs and community colleges. Community colleges are crown corporations, agencies of a provincial government; as such they are subject to rigorous accountability for both their programs and their finances. All offer certificates or diplomas. Increasingly, some offer applied degrees or joint degree programs in partnership with universities. As in PCCs, the vast majority of their programs are focused on a particular career, e.g., nurse, accountant, customs broker, biotechnology technician, television broadcaster, etc.

The perception of overlap between the curricula of PCCs and public community colleges is largely due to the similarity in program/course nomenclature. Box 1 illustrates this with a partial listing of programs in three subject areas offered at CDI Canada, a large PCC. The program names are similar, and in some cases identical, to programs offered at community colleges or public

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**Box 1:** *Academic Programs Offered by CDI College in Canada*

CDI operates in seven provinces, employs over 900 teachers and staff, and last year enrolled approximately 8,000 students.\* Not all of the courses shown below are offered at every campus of CDI.

School of Business	School of Technology	School of Health Sciences
Accounting administrative assistant	Networking specialist	Dental administration assistant
Accounting and payroll administrator	Computer programmer	Dental office administration
Computer accounting	E-business solutions developer	Dental receptionist
Payroll Administrator	Internet solutions developer	Dental office and chairside assistant
Marketing		Dental receptionist coordinator
Management		Medical administrative assistant
Computer accounting		Medical office administration
Computer specialist		Medical office assistant
Executive office assistant		Medical administrative assistant
Small business organization		Addiction worker
Law clerk		Early childhood education
Paralegal communications		Electrocardiography assistant
Paralegal administration		Massage therapist
		Nursing assistant
		Pharmacology assistant
		Rehabilitation therapist
		Physiotherapist assistant

\* For further information regarding CDI and its parent company, see [www.corinthiancollege.com](http://www.corinthiancollege.com).

technical institutes. But there are in fact major differences between the offerings of the two sectors.

First, programs at CDI and other similar colleges are shorter in duration than those at community colleges: the curriculum is more basic, with less breadth and depth of subject matter. A few private colleges do, however, offer two- and even three-year programs, especially in the health sciences and computer programming fields. Second, unlike PCCs, a significant number of community colleges and public technical institutes have links to degree programs at universities, whether in Canada or in other countries, allowing community college graduates to receive credit (considerable in some cases) for their college studies toward a degree.<sup>5</sup> Third, many provinces do not require that PCCs demonstrate clearly that students have achieved stated program outcomes before allowing them to graduate and/or receive certificates. Nor is there, in most instances, a consistent standard of testing across private colleges and programs. There exists, however, a self-regulating body established in 1984 to accredit programs at PCCs: the Canadian Education and Training Accreditation Commission.

This shortcoming has been recognized by PCCs and there has been an increase in self accreditation, spearheaded by the NACC. Currently, there is a Common Standards Group comprised of a number of colleges that offer Personal Support Worker programs and/or Personal Attendant programs. The standard for employment in these fields, which is to a significant degree determined by provincial ministries of health, is similar across Canada. The NACC has developed a curriculum and testing package that ensures that any Canadian graduates of these programs can meet these standards, regardless of where they have studied. The Personal Support Worker curriculum has been in effect since 1998, and since then more than 17,000 students have graduated from this program at PCCs in five provinces. An important part of the process is the standardized final examination, which is administered by the NACC as an external, unbiased, and consistent form of evaluation. The examination was developed in partnership with organizations that employ graduates in this field.

As one would expect, this standardization has added a significant component of academic integrity to the program, and to those PCCs that offer it, thereby improving job placement rates considerably. The NACC is now developing provincial standards, and in some cases national standards, for other career-oriented programs.

### *Financial Viability*

Much of the regulation of PCCs (discussed in detail in the next section) stems from concern about the stability and financial viability of these institutions, which has recently led several provinces to conduct reviews of the role of PCCs.<sup>6</sup> This concern is not without foundation. In Manitoba, for example, 35 private training

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5 Again, there are exceptions. Radio College of Canada and Westervelt Colleges have formal agreements with community colleges and/or universities, and in British Columbia and Alberta PCCs are included in formal credit-transfer agreements.

6 For detailed arguments in favour of such reviews, see Newfoundland and Labrador (1998) and Ontario (2005a).

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institutions have closed in the past five years. And at least 34 in Ontario were forced to close recently because they could not meet the financial criteria for re-registration (Manitoba 2005; Ontario 2005b). It has not only been new, small colleges that have failed. Even some venerable institutions, such as the Ontario Business College, went bankrupt in the 1990s, leaving hundreds of students in several communities unable to complete their programs.

The financial stability of these institutions, understandably, concerns politicians and higher-education bureaucrats. In the past, when a PCC closed its doors without warning, students who were left with incomplete programs and, in many cases, large debts, demanded that politicians explain this failure of the education system. Ministers of education especially became the target for the anger and outrage of those left in abeyance. It is little wonder, therefore, that regulations were tightened in response to these incidents.

PCCs are private, for-profit businesses, and like other businesses they face the prospect of failure and bankruptcy. In Canada, however, the public has an expectation that schools do not fail, regardless of the circumstances. After all, they are not selling cars or groceries. The “product” of PCCs is viewed as part of the overall training and education system of the country, most of which is a public institution. People are simply not accustomed to schools declaring bankruptcy.

PCCs depend almost exclusively on tuition fees for their revenues, and those fees are directly related to the number of students who register for a course or program. The costs associated with their delivery of training and education are similar to those borne by other educational institutions: compensation for teachers and staff; purchase (or rental/lease) and maintenance of buildings; purchase or lease of equipment; insurance, marketing, and financial services; and, possibly, the cost of borrowing money.

Given the unpredictable nature of student demand, these firms attempt to minimize fixed costs and long-term variable costs. If, for example, a new PCC plans to spend \$1 million in a given year in the expectation that there will be an enrollment of 200 students each of whom pays on average \$6,000 tuition, then if that expectation is fulfilled, the institution will survive. But if only 100 students enroll at the same average fee level, the school will have to borrow money, downsize its operation, or simply go out of business. Similarly, existing PCCs that attempt to expand into new geographic areas or subject markets must make reasonable financial commitments up front to attract students. If the school then fails to register enough students, it suffers financially. The financial viability of this sector of higher education therefore depends crucially on income from students.

One important aspect of this funding model is that students attending PCCs tend to be challenged financially. The majority are either leaving the labour force to return to school, are balancing a job and school, or are unemployed. Only a minority enter directly from high school. If they are unemployed, they are not likely to have sufficient savings to pay the tuition and commitments to food and shelter. Those leaving the labour force often do so because they are disenchanted with their low level of compensation due to a lack of skills training. Unless they have planned carefully, funds for tuition, food and shelter are lacking. Those who maintain a full time job and study may be in a position to afford the tuition. Many have already attended a community college or university (approximately 40

**Table 2:** *Ontario Student Loan Program: Number of Borrowers and Average Default Rates, 1997 and 2002*

		Universities	Community Colleges	Private Career Colleges
		<i>number of borrowers</i>		
Borrowers	1997	26,198	26,281	9,580
	2002	25,110	27,373	13,463
		<i>percentage of default</i>		
Default	1997	13	27	38
	2002	7	16	24

percent, according to NACC surveys), in which case they may well have already accumulated student debt.

Approximately 30 percent of PCCs have programs whereby their students are eligible to borrow money from the same student loan plans available to community college and university students. The majority of colleges, however, choose not to become linked with student loan programs, in part because of the increased regulatory costs associated with these plans. Those students who do subscribe to public loans tend to borrow large sums of money on an annual basis. Consequently, an important source of indirect funding for at least one third of PCCs is the provincial government. To the extent that students default on their loans and the money is not recovered, the province's loan guarantees become an indirect subsidy to the private institution.

Table 2 illustrates how borrowing by students in PCCs compares with that of university and community college students in Ontario.

While the number of borrowers has remained relatively constant in public institutions of higher education, there has been a significant increase in the number of borrowers in PCCs. The default rate has declined in all higher education institutions, but it remains high in PCCs — almost 25 percent. While there has been no definitive study to determine the reason for the high default rate in PCCs, it is generally understood that noncompletion of programs, lower earning power for graduates in some programs, and lack of parental assistance contribute to this result.

The uncertainties about enrollment and funding levels, combined, in some instances, with the fact that an institution's owners may lack experience in managing a college, create a degree of financial uncertainty in the PCC system. This uncertainty has led most provinces to require that these institutions contribute to a fund that the province can tap to compensate students if a PCC closes partway through their programs of study. This "training completion fund," as it is called in some provinces, is similar to an insurance system. While the student does not pay the premium directly, it is incorporated in the overall tuition and fees. One province has adopted a system where a school's contribution to the fund per student declines according to how long the college has been operating successfully — similar to the "good driver" breaks given in auto insurance.

## *Regulations*

All PCCs and vocational institutes in Canada are governed by provincial statutes and regulated by one or more provincial ministries or agencies. Recently, there has been an explosion of such statutes — both new provincial acts and revisions to existing ones — as well as detailed accompanying regulations. As one example, Ontario has recently launched an extensive examination of governance for this sector (Ontario 2005a). The review poses fifteen questions, ranging from “What types of training should be regulated by government?” to “How should marketing and advertising be regulated?” In general, the questions address matters of market failure as a result of imperfect information for consumers, the financial stability of the sector, and methods of regulation and insurance to protect consumers (students). Interestingly, there are no questions addressing the issue of the cost of education in these colleges.

Table 3 provides a summary of the core regulations (Appendix A provides a more detailed look at the regulations, province by province).

Overall, there is considerable similarity across Canada. All provinces require any individual or business intending to operate a PCC to complete a detailed application process. All provinces require that there be a detailed contract signed by each student that specifies the commitment of the college and the process for withdrawal, tuition rebate and grievance appeal. All provinces stipulate the credentials, or combination of credentials and experience, required to teach in a PCC; in two instances, the ministry with responsibility for higher education must approve appointments. Every college in Canada must either post a bond or contribute to a training fund designed to provide tuition rebates if a college closes (or provide funding to help the student complete his or her education at another institution, if possible).

Since there is no direct funding support from the provinces to these institutions, there is no need to require detailed enrollment audits as in the public sector. Most jurisdictions do, however, require that detailed documentation be provided before renewing a license to operate a training institution; some ask for annual financial statements.

Overall, the PCC sector is one of the most highly regulated across Canada; in some cases the provinces’ influence amounts almost to micromanagement. The section on public policy will explore the question of whether the regulations are excessive or insufficient to ensure these institutions operate in the best interests of their students and of society.

## **Private and Social Benefits of Education and Training**

Any analysis of policy options for the PCC sector should be undertaken in a context where the benefits to both the individual and society are examined. This section takes a step back to look at what those benefits are for education in general, then focuses in on whether PCCs provide the same kinds of returns as public institutions.

**Table 3:** *Summary of Provincial Regulations Governing Private Career Colleges and Vocational Institutes.*

	<u>BC</u>	<u>AB</u>	<u>SK</u>	<u>MB</u>	<u>ON</u>	<u>QC*</u>	<u>NS</u>	<u>NB</u>	<u>PEI</u>	<u>NF</u>
Mandatory Contribution to Fund that Compensates Students if School Closes	Y	Y	Y	Y						
Security Bond					Y					
Regulated Credentials for Application	Y	Y	Y**	Y	Y		Y	Y	Y	Y
Mandatory External Reference for Application					Y				Y	
Restrictions on Advertising	Y	Y	Y	Y	Y***		Y	Y	Y***	Y
Contract between Student and College	Y	Y	Y	Y	Y		Y	Y	Y	Y
Review of Program Content, Delivery, ect.				Y	Y		Y	Y	Y	Y
Certified Accountant Approval of Business Plan					Y					
Site Visits Specified	Y			Y	Y			Y		

\* The regulations governing private career colleges in Quebec are part of the regulations governing all private education. See Appendix A.

\*\* Teachers are appointed by the Department of Learning in Saskatchewan.

\*\*\* Ministerial approval of ad campaigns is required in Ontario and P.E.I.

### *Elementary and Secondary Education*

As a benchmark, consider the public system for elementary and secondary education. Students (and their parents) are not charged tuition. Funding is derived from local or provincial taxes — in some instances, from both. Three reasons are usually acknowledged for not charging tuition or fees for education at this level: First, it is difficult to measure the specific benefit an individual receives from elementary and secondary education. Second, education at these levels provides wide-ranging and significant benefits that are important to society as a whole — often referred to as “externalities” or “social benefits” of education. These social benefits are so overwhelmingly large that society agrees to pay the cost for this education. Finally, since attendance is mandatory and students must study from a prescribed curriculum (with some options in secondary school), forcing individual students or their families to pay would impose severe costs on the less wealthy in

society, violating the principle, well entrenched in Canada, of equal education for all.<sup>7</sup>

### *Higher Education*

All forms of education and training have a degree of both private benefit and social benefit; widespread acceptance of this notion is the basis for a significant level of financial support in Canada for the system of public postsecondary education comprised of community colleges, institutes, and universities. Private direct benefits are generally measured in terms of higher lifetime earnings for graduates of these institutions. Public, or social benefits are reflected directly in higher tax revenues for governments, lower unemployment rates, and reduced welfare costs. Indirectly, there is a strong correlation between the percentage of the population of a country with higher education and the overall standard of living. There are also social benefits associated with the interaction of skilled workers with other workers with more advanced skills: workers who observe others taking training and thereby advancing their employment may be encouraged to assume more training themselves, leading to an overall improvement in general productivity. Various analyses of Canada's productivity challenge have consistently highlighted the need to expand postsecondary education.<sup>8</sup>

A large number of studies have been undertaken to measure both the private and social rates of return from higher education.<sup>9</sup> While there continues to be debate about the precise value of this rate of return, there is general agreement that both the private and public rates of return are in excess of 5 percent. Recent separate studies for the community college and university system in Ontario indicate that, in several discipline areas, the returns exceed ten percent (CC Benefits Inc. 2003).

There are no comparable studies providing evidence of the rate of return on investment for the specific type of training offered by PCCs, and the evidence that does exist on the return to training and vocational education in general is limited and subject to considerable scepticism.<sup>10</sup> However, given that many career college programs contain core components of community college programs, one can conclude that there is a direct, positive return, both private and social, to PCC programs.<sup>11</sup>

Evidence to support this notion is found in data on unemployment rates for individuals with non-university postsecondary education: They are lower than for those who attained only a high school diploma (Statistics Canada 2002). The

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7 It is recognized that the principle of "equal education for all" does not in practice apply in most jurisdictions, since parents, if they can afford the cost, may choose to send their child to a private elementary and/or secondary school.

8 For example, see Institute for Competitiveness and Prosperity (2002).

9 For a detailed discussion of these, see Auld and Kitchen (2005).

10 See Warburton and Warburton (2002) and Statistics Canada (2001a).

11 A report prepared for the NACC suggests that the taxes paid by a private college graduate represent a public rate of return that is six times greater than for a community college graduate because the public invests so much less in the education of a private college student (JBL Associates, Inc. 2000).

available data on earnings also supports a positive private and social rate of return to career-college education. For the year 2001, the average annual earnings of a high school graduate were \$27,606, and for a graduate from a technical or vocational school, \$36,843 (Statistics Canada 2001b).

Public higher education is also linked to social benefits connected to innovation and liberal education content. Universities in particular are deeply involved in research, much of which is linked to innovation, new product development, and general improvements in such fields as health, engineering, and the social sciences. And the liberal education component of university programs provides indirect social benefits to the extent such study contributes to a citizenry that supports democratic principles, promotes egalitarianism, and enhances the voluntary sector of the economy. While academic programs in community colleges and public technical institutes have limited liberal education content, increasingly, these institutions are involved in a wide range of applied research projects, often in partnership with individual companies or specific sectors of the economy. It would be wrong not to impute a social rate of return to the investments in such activities that society makes through its public support of community colleges and universities.

PCCs offer programs that are largely devoid of any liberal education content. In fact, the “pared-down, no-frills” vocational-training approach is often offered as a positive feature of such institutions. PCCs do not engage in research, either.

However, these institutions do offer another form of indirect social benefit, one that stems from the unique features of PCC courses: they provide an important opportunity for “retooling” human capital, allowing individuals to obtain skills training reasonably quickly, often without having to leave the work force, in areas where there are labour-market shortages. Furthermore, to the extent that those educated in these institutions have lower unemployment rates and higher earnings than those with a high school education only, there are measurable direct rates of return to society connected with PCCs in the form of higher tax revenues, lower unemployment benefit payouts, and reduced welfare costs.

## **Public Policy Recommendations**

Given the enrollment figures and the number of institutions across Canada, the private career-college sector clearly contributes to building human capital. The quantity of related current or pending new legislation suggests it has assumed a new public policy profile.

The time seems ripe, then, to take a step back and consider Canada’s approach to PCCs in two important areas: First, is the sector over- or under-regulated in terms of the usual criteria for government regulation? Second, should the government provide financial support — either to students in this sector or to the institutions themselves? Policy decisions in both these areas will, in turn, affect the supply and demand for such education.

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## Regulation

Some degree of regulation is required to ensure economic efficiency; sometimes regulations may also be necessary to achieve certain equity goals. However, if a sector is burdened with unnecessary regulation, it will deter entry into the sector and stultify innovation. In the case of PCCs, it would also reduce postsecondary options for adult students. If, on the other hand, regulations are too weak, some firms may operate in a manner that may lead students to pay far too much for the training they actually receive.

The information issue is critical. Regulations requiring that career colleges fully disclose all details regarding their academic programs, and commit to deliver curricula designed to achieve clearly enunciated outcomes, make sense. This is a highly competitive sector and there could be considerable temptation to promise more than what can be delivered. To wit, several provinces state in their current regulations that PCCs cannot make any promises about job guarantees for graduates. Universities and community colleges are also subject to similar scrutiny of this nature; an annual program calendar is considered to be an implicit contract between the student and college/university once the student has paid tuition and enrolled in a program.<sup>12</sup>

A crucial issue here is the method of regulation. Should the government set general standards, or should it provide detailed directions to the extent that a province becomes a co-manager of the institution? How will compliance with the regulations be administered and enforced? Is there an option for self-regulation?

This last question is of particular interest, and leads to a consideration of self-regulation in some other sectors of the economy. In Canada, many professional programs at community colleges and universities are regulated by third-party associations, councils, or institutes. The Canadian Nurses Association (CNA), for example, develops and maintains the Canadian Registered Nurse Examination. Provincial and territorial nursing regulatory authorities administer the examination, and eventually determine who may write it. The CNA works with colleges and universities to ensure that the curriculum at each institution will allow its graduates to successfully complete the registration process. The fact that a number of institutions achieve 100 percent success rates speaks to the effectiveness of this self-regulation. OACETT, the Ontario Association of Certified Engineering Technicians and Technologists, establishes the criteria required to become a certified technician or technologist, and works in partnership with colleges to develop curricula that will allow graduates to meet these standards. Engineering, law, and medicine faculties at universities are further examples of self-regulation.

The National Association of Career Colleges, with its provincial counterparts, has in a small way already initiated self-regulation in the health sciences field. There is no reason this accreditation process could not be extended to a wide

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<sup>12</sup> Even financial exigency is not a valid reason to deviate from a program calendar. When the Government of Ontario reduced financial support to the postsecondary sector by 20 percent, many institutions wanted to eliminate low-enrollment programs. While they were permitted to close a program to new enrollment the next year, they were legally required to ensure that every student currently in a program would be able to complete her/his course of study.

range of programs across all PCCs. Colleges would be required to be a member of a national and/or provincial association that was empowered by government to establish, monitor, and enforce academic standards. This arrangement would not be dissimilar in theory to the method of self-regulation that exists among Canada's private primary and secondary schools. In British Columbia, Alberta, Manitoba, and Quebec, independent elementary and secondary schools receive provincial financial support.<sup>13</sup>

If this approach were to be adopted, then, instead of developing extensive regulations to govern this sector, provinces could simply legislate the framework for self-regulation. Instead of day-to-day, quasi-management of the sector, the role of the provincial authorities would be limited to an annual review to ensure the provincial association was fulfilling its self-regulatory authority. Concern about a two-tier system of private colleges, with some colleges outside the regulatory system, could be addressed by requiring membership in the self-regulating framework as a condition of licensing.

Overregulation of this sector, which is obviously responding to a need in society for specialized training and education, will stifle innovation and limit entry. Regulations that serve political ends may not necessarily be serving social needs. If the price of such training is too high relative to the social and private benefits that are provided, a less than socially optimal level of training will occur.

### *Insurance, Finance, Funding*

Ensuring that students are not stranded partway through a course of study has been an important element of public policy regarding PCCs, and it should certainly continue to be one. The insurance schemes in the form of "training completion" funds that already exist in most provinces could be made mandatory and administered under a self-regulatory process. Or, in a more market-driven approach, students could be offered insurance against program incompleteness but not be required to subscribe. In any case, the recent reviews of PCCs and revised regulations have to a large extent reduced the likelihood of an unexpected school closure.

In the funding area, as noted earlier, the case for public support of any kind in the education/training field is supported by the fact that it can be demonstrated there are both direct and indirect social benefits to postsecondary education and training. Aside from possible differences in the nature and magnitude of the social benefits stemming from these two kinds of higher education, are there any compelling reasons, other than the way the education process is currently

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13 Program quality is monitored and evaluated in private schools by the Canadian Education Standards Institute (CESI). The standards are monitored and updated by the CESI Standards Council, while the development of procedures for evaluation is carried out by the CESI Evaluation Council. These councils are comprised of experts in education from across Canada. Any discussion of greater self-regulation in education leads inevitably to the question of how community colleges and universities are regulated: is there a case for greater self-regulation in these sectors, too?

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managed, to exclude PCCs, or at least students who attend such colleges, from public assistance?<sup>14</sup>

One potential reason is that students in PCCs who can and do access provincial student loans experience a higher default rate, leading to unintentional public sector support. There are, however, individual publicly supported institutions that demonstrate a higher default rate than those of some individual PCCs. Furthermore, recent changes to policy in Ontario have transferred some of the burden of defaulted loans to the institution.

In any case, if higher default rates constitute an argument against public support for career college students, then establishing the same ground rules for all postsecondary institutions would remove this barrier.

Another possible argument against public support is the private, corporate nature of career colleges: why should the government support private businesses? Since provincial support for the private sector in general is endemic, this argument is somewhat vacuous. In March of 2005, for example, the Ontario Government announced a \$235 million support package for General Motors. Millions of dollars have been spent under a variety of umbrellas to subsidize private companies to provide training for employees. In fact, governments flow billions of dollars to private corporations to encourage certain types of economic behaviour. Given their usefulness in retooling the labour force, an argument can be made to provide funding to encourage students to enroll in PCCs.

Both of these objections, then, have responses; the answer would seem to be that there is in fact no reason that public support should not be given to the PCC sector. If this is the case, then what type of support should it be, and how should it be administered?

First of all, where should this support come from? Given the fact that provincial support for publicly supported colleges and universities is, in many provinces, below international standards, the case for transferring some of that already weak provincial support from underfunded institutions to private colleges is not a strong one. If, as argued above, private colleges enhance very specific labour market skills and provide a unique “return to school” option for more mature students, it seems logical that support for this sector should flow from the federal treasury.

Next, to whom should the support be directed? Notwithstanding the discussion above, it may be politically more acceptable to provide support directly to students attending PCCs than to the colleges themselves. One possible approach is to provide students with a federal learning voucher, redeemable at any registered PCC and payable in instalments based on continued attendance and progress at the college. Vouchers for higher education have been discussed for decades; however, they have never attracted the political support necessary for their widespread implementation.

What other alternatives could be introduced to assist students attending PCCs?

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14 This question might be taken even further, in fact, to address possible public support for other types of what is now private education/training, such as full-cost-recovery programs at universities and other private training. The hypothesis could be advanced that all forms of human capital development that exhibit positive social returns should be eligible for public support to encourage education and training.

The two options, broadly defined, are to give direct support either to the institutions themselves or to the students. Given that the federal government plays a major role in Canada-wide labour market development and continues to provide a variety of programs to enhance labour market skills, improve literacy, and encourage retraining, why would it not support institutions that provide such training? Indirectly, through tripartite agreements among private companies, PCCs, and the Ministry of Human Resources Development, Ottawa does deliver funds to private colleges. These arrangements, however, involve detailed contracts between Ottawa, the business, and the college, with a rigorous accountability framework. Given that in most other situations there is less accountability for private colleges in terms of their delivery of training to individuals, there would be considerable opposition to the idea of simply transferring funds to such institutions. A new accountability system, similar to that used for universities, institutes, and community colleges, would have to be developed.

The case for improved support to the students themselves is stronger, since there is already a structure for such support in the form of existing student-loan schemes. The federal student loan limit for those attending PCCs could be increased, as could the portion of the loan that is forgivable in the event that a graduate from such a college did not obtain a prescribed annual income within, say, three years. The period for deferred interest on such loans could also be increased.

If such a scheme were to be implemented, questions would obviously be raised as to why private college students should have greater access to student loans and/or preferred repayment/forgiveness terms, especially in light of past failures of such schools. In reply, the government could point out that these institutions do not receive any direct financial support from the public sector — in fact, the successful ones contribute to the public sector by way of corporate tax revenue. Furthermore, tuition levels at these schools are often considerably higher than in community colleges, so, given the contribution these institutions make to improvements in Canadians' labour market skills, some small, additional assistance to their students is justified. To assuage those who are worried about accountability, initial support for private college students could be restricted to those programs that have met the credential guidelines of the NACC. The government could also highlight the fact that all provinces have substantially enhanced the regulatory framework within which these institutions must operate.

Finally, another possible way of providing federal support to this sector is through the Millennium Bursary Program. With little difficulty, this program could expand opportunities for students of PCCs to access these bursaries.

If more support is justified, the final question is, how much more support? Past levels of provincial public support for community colleges and universities across Canada provide no substantive signposts as to the dollar amounts that are appropriate for furthering higher education.<sup>15</sup> As long as there is no direct financial support to PCCs, the amount of support in terms of improvements to loans and access to bursaries should simply be tied to tuition costs.

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15 For a detailed discussion on this topic and historical background on public support for higher education, see Auld and Kitchen (2005).

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## Conclusions

PCCs provide a wide range of postsecondary education and training programs, designed to provide the graduate with skills for a specific entry level job in the labour market. These schools pride themselves on being able to respond quickly to changes in the labour market demand for employees and offer adult learners the opportunity to re-enter the education sector, enhance their human capital and do so in a manner that is complementary to their life style that is likely to include employment and family responsibilities.

In recent years, the sector has become rigorously regulated, largely in response to financial instability and the political desire to ensure that these schools do not become bankrupt. The NACC, representing just under half the colleges in Canada and at least three quarters of the enrollment, is emerging as an “arms length” accreditation body similar to the Canadian Education Standards Institute. The PCC sector and the Canadian labour market would be better served if the current, micromanagement approach of provincial departments were replaced with an expanded system of self-regulation.

Students who graduate from PCCs fare better, economically and socially, than students who possess only a high school credential. While there are no comparative data, it would appear that these graduates do reap a private rate of return, as do community college and university graduates. This, in turn, leads to social benefits in terms of higher tax revenues and lower rates of unemployment. In addition, the sector provides a rapid training response mechanism to help fill labour market shortages and in doing so, makes a contribution to the overall productivity of the economy.

Financial support to students in this sector is provided only through student or private loans and to the extent there are defaults on provincial student loans, government makes a contribution to this sector. The same is true for community colleges and universities. There is a case for additional public support in the form of a modification to the Canada Student Loans Program and increased support from the Millennium Foundation bursary system. From an accountability point of view, such support should be tied to private colleges accredited by the NACC.

A PCC sector that is increasingly self-regulated under broad provincial guidelines will be more efficient and effective. Additional financial support for students who attend and complete accredited PCC programs will ensure greater equity in the postsecondary sector and provide the labour force, in certain sectors, with a “rapid response” supply system.

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## **APPENDIX A:**     *Summary of Individual Provincial Regulations of Private Career Colleges*

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Virtually all private career colleges (PCCs) in Canada are regulated by provincial legislation. Since some PCCs operate nationally, their operations may differ from one province to the next. This appendix briefly reviews the relevant regulation framework of each province.

### **British Columbia**

The 250 PCCs in British Columbia are governed by the Private Career Training Institutions Act.<sup>16</sup> The Act created the Private Career Training Institutions Agency, a formal body with a board of directors, a CEO, and its own bylaws. The major goals of the agency are to

- ensure the quality of programs in private career institutions,
- protect consumers (students) from academic misrepresentation and program uncertainty, and
- manage the Student Training Completion Fund.

For all private career institutions, both registration and accreditation are required. The registration process involves providing detailed information about those who run the school — for example, have any officers or other relevant parties ever been involved in a PCC that has closed? The school must submit a financial statement audited by a member of the accountancy profession, and must provide proof of a business licence.

The accreditation process is extremely detailed with respect to curricula, qualifications for instructors, fees, length of programs, etc. In addition, the agency makes site visits to institutions that wish to be accredited; once they receive accreditation, they must submit an application for renewal every five years. Any changes to programs and courses must be submitted to the registrar of the agency before being implemented.

Finally, the agency has powers to investigate, levy fees, and intervene directly if there are complaints about a school. The annual fees levied on all colleges are the source of the Student Training Completion Fund.

### **Alberta**

The Private Vocational Schools Act of Alberta (1980; 1990; 1997; 2003) governs PCCs in that province.<sup>17</sup> The Act appoints a Director of Private Vocational Schools who has the power to issue licenses and request a wide range of information from existing and proposed institutions. The director can also suspend the operation of a school if it is being run in an incompetent manner, offers courses in unsuitable

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16 British Columbia, Private Career Training Institutions Act, SBC 2003 2004.

17 Alberta, Private Vocational School Act, RSA 1980; 1990; 1997; 2003.

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premises, or has inadequate financial resources to ensure students can complete a program of study.

Detailed regulations set out all the information a school must submit to the director to receive a license, the fee schedule and security deposits (a usual maximum of \$100,000 per campus), and the kinds of extraordinary circumstances that demand greater deposits. The regulations also cover cancellations of courses and programs, school closures, refund policies, and standards of advertising.

## Saskatchewan

The regulation of PCCs is administered by the Private Vocational School Unit under the amended act of 2000.<sup>18</sup> The general regulations are detailed and similar to those of other provinces, but with several unique features. Anyone wishing to launch a private school must apply to the Minister and meet 13 specific criteria, including detailed standards for the program content, duration of program, faculty-to-student ratio, fees, etc. Unlike in any other province, the applicant must also provide details on how the school intends to demonstrate that the student has successfully completed the curriculum. There are various fees associated with registration, a minimum bond (\$10,000 for a school of less than 100 students, rising to \$50,000 for a school with more than 400), and a required contribution to a training completion fund. The amount of this contribution is on a sliding scale according to the the number of continuous years the school has been in operation (for a new school, the fee is 0.75 percent of total tuition; it declines to 0.15 percent if the school has been registered continually for more than 16 years).

There are specific criteria for faculty appointments, and the actual appointment is made by the minister. In addition, the minister must be informed immediately if a teacher leaves the school for any reason. Faculty must possess a mix of academic credentials and experience, the latter compensating for the lack of the former.

The Saskatchewan regulations also include detailed calculations for student fee refunds, and requirements pertaining to mediators of the contract between the student and the school.

## Manitoba

The Private Vocational Institutions Act of 2002, which governs PCCs in Manitoba, requires any person or corporation offering vocational programs of any kind to register with the government-appointed director of private vocational institutions.<sup>19</sup> The director will then certify the institution if certain criteria are met; these criteria include the director being assured that "...past conduct of the applicant does not give reasonable grounds to believe that the applicant will fail to operate...with integrity and honesty" (The Act, Sec 4 [1] [b]).

Many of the regulations are similar to those of other provinces, but there are some notable differences. First, there is a Private Vocational Institution Appeal

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<sup>18</sup> Saskatchewan, Private Vocational Schools Regulation Act, 1995; 2000

<sup>19</sup> Manitoba, Private Vocational Institutions Act, RSM 2002

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Board, a five-person board that receives grievances from operators of private vocational schools whose licenses have been suspended or cancelled. The board may hold a hearing, and its decision on the appeal is final. The Act also gives the director the power to inspect a school when suspension or cancellation is being considered. In addition, the director can undertake an evaluation of the quality of programs or courses at any school by visiting the institution, conducting a survey of current or past students, or establishing a panel of employers to review the program quality of an institution.

Finally, as in most provinces, there is a Training Completion Fund, with revenue provided by forfeited security deposits and by fees from all institutions equal to approximately one percent of total tuition fees levied. In the event of a school closure, the funds are used either to help students complete their courses of study in a manner determined by the director, or to refund tuition fees.

## Ontario

PCCs are privately owned, and are operated as commercial enterprises. To offer programs and courses in Ontario, a college must register in accordance with provincial regulations, which are administered by the Ministry of Training, Colleges and Universities.<sup>20</sup> Regulation 939 sets out the minimum standards that must be met prior to offering programs or courses. These regulations cover curricula, teacher qualifications, advertising, and refund policies.

To establish a PCC in Ontario, the owner(s) must submit three independent references to the superintendent who administers the Act, testifying to the character of the proposed PCC owner and his or her ability to operate such an institution. The application must include detailed curricula, a schedule of the fees to be charged, and a pro forma business plan drafted by a certified accountant indicating there is sufficient capital to start up and operate a PCC. The regulations also specify that all teachers must be at least 21 years of age, and must have certain qualifications. It allows for tradeoffs between formal education and vocational or occupational experience. For example, a person is qualified to teach at a PCC if he or she has either

- a BA or BSc and 12 months of experience related to the area he or she will teach, or
- no formal postsecondary education but 48 months of actual occupational experience.

There are several other options between these two extremes.

Under the regulations, the superintendent has considerable power and can request information on proposed teachers, as well as, in the case of a renewal, a full audited financial statement for the business. While there is a complicated formula to determine the value of the bond that must be posted by a PCC, the superintendent has the authority to override the formula and set the amount of the bond as he or she sees fit. The regulations also set out in detail the process

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<sup>20</sup> Ontario, Private Career Colleges Act, RSO 1990.

under which a bond will be forfeited, and how the proceeds of the bond are distributed to claimants and creditors.

The regulations in Ontario are very specific about advertising, even to the point of requiring that all media ads, brochures, and other forms of promotion be submitted to the superintendent for approval. A PCC may not however, publish the fact that its material has been approved by the superintendent.

Students may formally indicate that their “contract” with a PCC is void; in such an instance, there is a detailed formula for partial fee repayment. Completion of a course/program with satisfactory performance leads to a diploma or certificate; in the event of unsuccessful completion of the program, students receive a copy of the transcript of their results.

## Quebec

Quebec is unusual in that private preschools, elementary schools, secondary schools, colleges, and vocational and technical schools are all regulated under one statute: An Act Respecting Private Education.<sup>21</sup> A PCC or institute must obtain permission through the Minister of Education, who seeks an opinion from an Advisory Commission on Private Education. Private colleges can be subsidized if they offer the same programs and comply with all the regulations that would govern a similar public school. In short, such Quebec private schools operate, from a regulatory point of view, much as public institutions would.

## New Brunswick

In this province, the Private Occupational Training Act of 1996 established the New Brunswick Private Occupational Training Corporation to oversee the regulation of PCCs.<sup>22</sup> The corporation is charged with (a) administering the Fund, (b) consulting with government and private occupational trainers on matters related to occupational training, and (c) facilitating the voluntary accreditation of training schools.

The Fund referred to above is known as the Training Completion Fund and provides the source of money both to run the corporation and to compensate students in the event a training institution fails to provide for the completion of a course or program in accordance with stated objectives. The board can either arrange for completion of the program elsewhere, or refund a student’s tuition. The sources of revenue for the fund are (a) compulsory Student Protection Fees collected from the general revenue of the organizations and remitted to the corporation, and (b) security deposits from the organizations.

As in other provinces, the Act provides for evaluating the quality of training organizations. The overall legislation is somewhat vague in terms of specific ministerial actions, but the broad powers, including inspection of schools, provide sufficient scope to intervene to ensure regulatory compliance. The legislation is

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21 Québec, Act Respecting Private Education, 1992.

22 New Brunswick, Private Occupational Training Act, RNB 1996

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sufficiently vague that the minister has fairly broad powers to ensure compliance with regulations and academic integrity.

## **Nova Scotia**

Nova Scotia private colleges are governed by the Nova Scotia Private Community Colleges Act.<sup>23</sup> The regulations cover most of the same issues as those identified above under Ontario; in some sections, the regulations are almost identical. Nova Scotia is slightly more flexible with respect to enrollment in PCC courses, allowing school-age students who have not completed high school to enroll with a parent or guardian's approval. The regulations are more detailed with respect to complaint resolution policies and record keeping (schools must keep very detailed files on students). Teacher qualifications are similar to those in Ontario, but the Minister must approve a teacher that does not meet the criteria set out in the regulations.

In Nova Scotia, the relevant act is administered by a manager who, among other things, may request that a program be reviewed by a professional, occupational, or other association to validate its academic integrity. Colleges are required to provide a security payment equal to the enrollment (or expected enrollment) multiplied by the average tuition fee. There is a very detailed process to address the closure of a college or its loss of registration, and the disbursement of the security deposit to help students complete their programs elsewhere.

## **Prince Edward Island**

PEI's Private Training School Act of 1995 establishes the position of Administrator of Private Training Schools and provides a framework for regulations similar to those in other provinces.<sup>24</sup> Unlike in other provinces, however, the Act specifies four different types of institutions governed by the regulations:

- Schools that provide training to the public in general for which tuition is charged by the institution;
- Training institutions where the funding is provided by a third party;
- Institutions devoted to academic upgrading, life skills, and preparation for further study;
- Schools or colleges offering distance education for a fee.

The Administrator of Private Training Schools reports to the Private Training School Advisory Board, which is comprised of at least three persons appointed by the government. The Administrator has fairly broad powers of inspection, along with the responsibility to appoint all instructors in private schools. The instructors must meet criteria based on a combination of formal education and/or occupational and vocational experience, similar to those in Ontario.

The regulations, as in some other provinces, require that in the registration process an operator/owner of a private school must provide character references

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23 Nova Scotia, Private Career Colleges Act, 1998.

24 Prince Edward Island, Private Training School Act, RSPEI, 1988

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to the board. All advertising must be submitted to the administrator. The rules are sufficiently strict that a private school is not allowed to promote the idea that there are positions in the job market for graduates unless proof is provided to the administrator.

All private schools must provide a security deposit equal to 60 percent of one year's tuition for all students enrolled, to a maximum of \$100,000. The Minister of Education has discretion over the disbursement of the security deposit in the event a school closes or activities are suspended. For the most part, any fees owed to students are repaid according to a detailed regulation.

## **Newfoundland and Labrador**

The Private Training Institutions Act in Newfoundland has been amended eight times between 1988 and 2004; it applies to all private training institutions offering courses of 50 or more instructional hours.<sup>25</sup> Currently, there are 31 such registered institutions in the Province. The Act and regulations are administered by the Private Training Corporation, a body of seven individuals that includes representatives from the Ministries of Education and Finance, from private schools, as well as a student and community members. The Superintendent of Private Training Institutions reports to the board.

Institutions can be registered if they

- meet certain advertising standards,
- demonstrate financial integrity,
- are owned and operated by individuals whose past experience suggests they would not operate against the public's best interest, and
- hire instructors and demonstrators who possess a combination of formal education and experience.

This last criterion is less specific than in many other provinces. Once registered, institutions may advertise that they are "Registered and approved by the Private Training Institutions Act of Newfoundland and Labrador." The superintendent has the usual powers to inspect, evaluate, and if necessary, suspend courses or close a school. There is a detailed appeal process in such instances.

Institutions pay registration fees, a security deposit, and an annual contribution to the Train Out Fund, which is administered by the corporation. The security deposit is a minimum of \$50,000 or 15 percent of total tuition, with a maximum of \$150,000. The contribution to the Train Out Fund is one percent of annual tuition. As in some other provinces, this fund finances both the corporation and, in the case of the closure of an institution, refunds or support for completing a student's education program. There is a very complicated formula for payouts when claims against the fund exceed the fund's balance. It is interesting to note that in the case of closure of a school, refunds first go to repay Newfoundland and Labrador student loans, and then other loans. Students cannot obtain loans to attend a private institution unless it has operated for at least one year or graduated at least one class.

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<sup>25</sup> Newfoundland and Labrador.

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## Summary

Postsecondary career colleges and vocational schools are highly regulated in many respects. While these institutions are private business, establishing one requires far more red tape than many other business enterprises. As an initial step, any person or corporation wanting to provide career-oriented postsecondary education in Canada must apply to either a minister of the Crown or an agency of the Crown reporting to a minister, depending on the province. In addition to paying registration fees, colleges must post a bond and, in most instances, provide a contribution toward a fund that will be used for compensation if a program or school is closed.

PCCs are one of the few kinds of businesses, perhaps the only kind, where in some provinces a minister or agency approves the hiring of the employees. This situation is stricter than the hiring practices in public colleges and universities, where any attempt by government to approve professorial appointments would be seen as an attack on the sanctity of academic freedom. While not all provinces require that a minister approve appointments, the regulations in most provinces specify the academic and experience criteria for hiring purposes.

In most provinces, too, the government controls the marketing agenda for PCCs, stating in the regulations, often quite specifically, what the college cannot advertise. Private colleges in a number of provinces must submit their advertising material to the minister for approval. They must also provide to the provincial government for approval a copy of the contract that must be signed by the college and students prior to enrollment.

A comparison between the regulatory framework for PCCs and the requirements in the respective legislative acts that govern community colleges, public postsecondary institutes, and universities is illuminating. PCCs are creatures of public policy and controlled to a much greater extent than are the public institutions.

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## APPENDIX B: *Statistics Pertaining to the Operation of PCCs in Canada*

The appropriate ministry in each province and territory was asked to complete a short survey regarding PCCs. Table 4 below summarizes the information provided by the provinces that replied.

**Table 4:** *Statistics on PCCs in Selected Provinces*

	SK	MB	ON	QC	PEI	NB
<i>Number of Students</i>						
1999-00	6,400	5,228	38,000	15,000	375	4,724
2003-04	4,800	2,847	42,000	13,000	1,000	2,900
<i>Number of Registered Colleges</i>						
1999-00	52	51	463	72	21	107
2003-04	52	38	381	59	18	80
Activity in 2004 (dollars of revenue)	n.a.	\$15 million	\$166 million	\$202 million	n.a.	n.a.
Number of Colleges That Closed in Past 5 Years	2	25	n.a.	24	2	2
Number Closed by Provincial Government	0	0	34	2	1	0
Student Loans Per Student	n.a.	\$2,847	\$2,119	\$5,300*	\$1,900	n.a.
Student Loans Total	n.a.	\$7 million	\$89 million	\$68.9 million	\$1.9 million	n.a.

n.a. = not available

\* For non-subsidized private colleges.

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