AN OVERVIEW OF ONTARIO'S 2019

EMPLOYMENT SERVICES TRANSFORMATION

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DISCLAIMER

The information presented in this document was compiled to provide a resource for ONESTEP members to review and consider as they think about the coming transformation of employment services in Ontario. It does not speak on behalf of, nor represent in any way, the views or opinions of the Ontario government or its agents. Wherever possible, direct reference has been made to any public information so that readers can readily access – and independently review – available documentation. Where direct information is not available, every effort has been made to provide the source, logic and/or rationale behind the statement.

More than anything, this document is an attempt to bring together, in one place, a variety of information sources to support our members as they being to think about what community-led, local service system delivery planning will look like in their catchment areas.

CONTEXT

On February 13th, the Ministry of Training, Colleges and Universities (MTCU) announced the Government of Ontario's plan for transforming employment services in Ontario.   This announcement built on an earlier one made by the Minister of Children, Community and Social Services (MCCSS) in November 2018 that promised more effective, sustainable approaches to helping people find and keep jobs and achieve better outcomes. The province has committed to better coordination between Employment Ontario and social assistance to ensure better, more streamlined supports, placing a greater focus on outcomes and exploring options for more locally responsive service delivery models.

The announcement made in February presented 3 key features of the government's plan for transforming employment services, including:

- Launching a refreshed labour market information website with improved navigation to the federal Job Bank

- Moving all employment services currently offered through social assistance programming under Employment Ontario (EO) programming. This includes Ontario Works (OW) and Ontario Disability Support Program (ODSP)

- Introducing a new entity – called the service system manager (SSM) – that will be selected to manage the employment services system in each catchment area across the province

Most of the details regarding the implementation of these changes remain in development. Despite this, it is easy to identify the drivers behind these announcements and begin thinking about what they will mean for local service provision across Ontario.

WHAT'S DRIVING THE CHANGES

Cost-efficiencies

Early on in its tenure, the Ford government has focused its attention towards delivering on the campaign promises to find, and cut, inefficiencies. Even before officially taking office, the Premier announced a [hiring freeze](#) in the public sector and shut down all discretionary spending (e.g., non-essential travel, food at meetings). This freeze was put in place until an audit of the province's finances could be completed. The [audit](#), conducted by Ernst and Young LLP (EY) and released on September 21st, 2018, offered a line-by-line review of Ontario Government expenditures from fiscal year 2002/03 through 2017/18.   The mandate of the Review was to analyze expenditures, conduct selected jurisdictional benchmarking, and based on the data available, identify programs and operations for which efficiencies could be generated through more focused review and subsequent execution. The report identified several findings which supported the Government's theory that spending, and debt needed to be curtailed. These included:

- if expenditures had been pegged to overall population growth, the province would have saved $331B over the 15-year period
- provincial debt over that same period of time was shown to have doubled

But most importantly for the context of this document, the audit characterized its most striking finding to be that for every 1 dollar spent in the Ontario Public Service (OPS), 9 dollars were spent through the 35,000 separate transfer payment arrangements (TPA) that the Ontario Government manages. This in turn led to the conclusion that significant operating efficiencies could be found to support a more sustainable expenditure pattern for Government, that would not only save money, but lead to significant improvements in outcomes. It called on the Government to provide strong leadership when working with ministries and various delivery partners, to strengthen horizontal coordination and establish a renewed focus on improving the efficiency, productivity, and outcomes of the Broader Public Service (BPS) and broader transfer payment partners. Among others, the audit recommended service delivery modernization as a major area where the Government could focus to achieve efficiencies and improvements.

Focus on jobs

In a [memorandum](#) to all OPS staff dated January 7th, 2019, Premier Ford reiterated his top three priorities for the coming year – the first of which included redoubling efforts to connect more workers to good paying jobs, and encouraging job creation. This reflected the focus and language put forth previously on December 6th, 2018 when [Bill 66](#) *Restoring Ontario's Competitiveness Act*, was introduced in the legislature. This new legislation followed [Bill 47](#), the *Making Ontario Open for Business* Act, which was passed on November 21st, 2018. Both pieces of legislation are intended to make Ontario a more favourable environment for businesses. Premier Ford's promise to improve the quality of life for Ontarians through economic growth and better access to employment emerged early during the election and remained a pillar of his platform throughout the election – and it persists today. Following an announcement of the Basic Income Piot [cancellation](#) on August 31st, 2018, Ford reiterated his commitment to ensuring that even those furthest from the labour market can access, and retain,

meaningful employment. The Progressive Conservatives' (PC) position regarding the cancellation, the desire to see fewer Ontarians receiving social assistance, and the audit recommendation for service delivery modernization align quite clearly to support the key points put forward in the employment services transformation announcement.

Program Effectiveness

In the announcement regarding social assistance reform, the Government cited various statistic to support the overall lack of effectiveness seen in current programming efforts, including:

- almost one million Ontarians are on some form of social assistance
- over the past 15 years the number of Ontarians forced to go on social assistance has skyrocketed by 55 per cent
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They also cited the 2016 Auditor General's report, Section 3.04, wherein it was concluded that Ontario's employment and training programs were not effectively helping people find and keep full-time jobs. The report highlighted that (among other things): the majority of employment and training program clients were unsuccessful in finding full-time employment in their chosen career, that overpayments to clients who do not complete programs were not being recovered, and that the Ministry lacked necessary data to ensure Employment Ontario programs meet current and future labour needs.

In the 2018 Auditor General's report, the section devoted to a review of OW found that MCCSS does not have effective systems and procedures in place to ensure that recipients receive the employment supports they require to obtain employment and become self-reliant. It went on to highlight (i) the lack of capacity to collect and report on recipient barriers to obtaining employment and employment sustainability and (ii) an overall lack of public reporting on the information that is collected pertaining to recipient employment outcomes.

At its last point of audit in 2011, ODSP had seen similar levels of increase in case numbers and spending. At that time, employment support programs were available to ODSP recipients, however participation in them was not required and no reporting was done on the impact/efficacy of the supports provided. The increased rate of non-participation in employment supports by OW and ODSP recipients, the increase in both the number of cases and time on assistance, and the lack of reliable reporting on employment outcomes all support the two drivers for change discussed earlier, and have been cited as significant considerations in both the employment services, and social assistance program transformations.

WHAT ARE THE CHANGES

From a systems structure perspective, the two major changes that will impact the delivery of employment services (ES) in local communities are (i) the movement of employment services from social assistance programming into the Employment Ontario (EO) programming, and (ii) the introduction of the

SSM as a new coordinating entity. Each bring with them the potential for both opportunities, and challenges.

Integration of ES

In the November announcement, Minister McLeod stated that the province would better coordinate EO and social assistance to make it simpler and easier for all job seekers to reach their potential. It also stated that the government would undertake a coordinated multi-ministry approach to reduce red tape, eliminate unnecessary rules, and support individual action plans to establish self-reliance and ease off the system – and laid the groundwork for the February announcement around integration. The first two priorities outlined in the plan for social assistance reform, centred on employment through:

- a focus on individual action plans that set out a path to health, wellness and preparations to return to work
- streamlining social assistance and employment programs
- increasing local responsiveness and flexibility to help all job seekers reach their potential

This focus on employment as a desired outcome, a more locally driven/responsive approach, and a cross-ministerial approach was mirrored in the announcement around employment services transformation. Yet very little has been provided regarding the implementation details for integrating the employment services components of social assistance under the EO umbrella.

In the backgrounder provided in support of the November 2018 announcement, the Government indicated that the intention is to free-up the time that frontline workers spend on policing of eligibility to allow them to offer more services to help people move into employment. The document specifically mentioned support for mental health and addictions, child care, housing and life skills training. Both MCCSS and MTCU have begun reaching out to their respective stakeholder communities, seeking input on these (and other) issues as they think about the design and implementation of a transformed system (see stakeholder engagement questions in APPENDIX A). The questions indicate an awareness on the part of Government that the redesign brings with it an opportunity to address current pain points in the system as we move forward with transformation.

Much remains to be learned about the proposed integration and how it will affect local service delivery.

Introduction of the SSM

The November 2018 announcement laid the groundwork for the centralization/streamlining of employment services across Ontario that was then realized with the introduction of the SSM in MTCU's February 2019 announcement. The new model is being introduced to manage the employment service system more effectively to meet the needs of job seekers, businesses and communities. The SSM will be responsible for managing the employment services system in each catchment area including the design/composition of its delivery network/approach and ensuring that it delivers on the Government's established outcomes for the SSM and its catchment area.

In the backgrounder provided in support of the February 2019 announcement, the Government indicated that changes to Ontario's employment services will be implemented gradually over several years

beginning with a competitive request for proposals (RFP) from entities seeking to take on the SSM role in 3 catchment areas (coined "prototypes"). The areas have not as yet been announced although informal conversations across the network have suggested that the areas are likely to be located in different regions of the province; reflect a diversity that is considerate of Ontario's disparate economies (e.g., size, demographics, degree of urbanization); and considerate of any pressing labour market needs/considerations. The selection of service system managers will be determined through a new, competitive process and open to any public, not-for-profit and private sector organization, as well as consolidated municipal service managers and district social services board service managers.

WHAT WILL THEY MEAN

In the absence of detailed implementation plans, many aspects of transformation remain speculative and 'to be determined'. That said, a few pieces are clear and impact how the sector needs to be thinking/planning as it moves forward.

Structural considerations

The introduction of the SSM is consistent with the recommendation in the EY audit that efficiencies and increased effectiveness could be found by reducing the number of TPA's managed by the Government. It also addresses the points outlined in the Auditor General's reports regarding the Ministries inability to appropriately oversee the effectiveness of employment services.
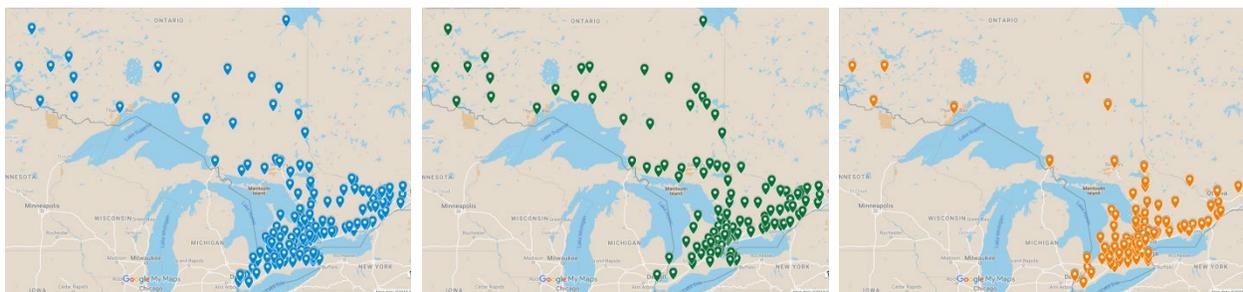
- **Employment services (through EO):**
  - Delivered at over 400 sites (not including LBS sites who do ES outside of EO funding)
  - Delivered by over 100 organizations
  - Represents nearly $1B in budget

- **Employment services (through OW):**
  - Delivered at over 140 sites (plus First Nation areas and sub-contractors)
  - Delivered by over 100 organizations
  - Unclear what it represents in budget

- **Employment services (through ODSP):**
  - Delivered at over 250 sites (not including developmental service organizations)
  - Delivered by over 100 organizations
  - Represents nearly $0.5B in budget

Currently, MCCSS and MTCU hold over 600 separate TPA's with organizations across the province[1]. To date, the number of catchment areas that will be defined for Ontario remains unknown. A look at other jurisdictions provides some possible models/considerations for Ontario.

Over the past ~3 years, British Columbia (BC) has transformed how they deliver employment services. During the first pass at transformation, the Government when from over 300 independent service contracts, to 73 agreements (in 73 geographic catchment areas) with 46 contractors providing employment services through 84 BC Works centers. In this round, contract holders were mandated to subcontract a minimum of 25% of service delivery externally. In the most recent call for proposals, the number of contract holders/catchment areas was reduced to 45 with 25 successful contractors (not all the same as previous ones) providing employment services through 96 BC works centres. The Government also removed the requirement for contract holders to subcontract service delivery externally. [2]. Contract holder include non-profit community-based organizations, colleges, and private sector companies. Top contract awardees were:

- WCG International Consultants Ltd. - 5 agreements for a total of $204,115,000.00
- YWCA - 3 agreements for a total of $111,345,000.00
- Open Doors – 3 agreements for a total of $101,180,000.00[3]

In the United States, the federal Workforce Innovation and Opportunity Act (WIOA) has been in place since July 2014. WIOA is administered through over 550 Workforce Boards who hold contracts across the 50 states, and who partner with local area Boards to deliver employment services across the country. Numerous models exist for how local level delivery however all centralized administration/management of the funding is done through the network of federally mandated workforce boards. For program year 2016, the federal government appropriated more than $6.9 billion to states for the Core WIOA Program and approximately $3.4 billion in federal formula funding for partner programs, for total funding of $10.5 billion.

In Australia, transformation is just beginning and has been based on extensive consultation and the recommendations made in an Expert Panel report that was released in December 2018. The new model is being rolled out as a pilot from July 2019 to June 2022 with key elements of the new model being tested across 4 geographic areas. Current service contracts have been extended until June 2022 in all other regions, while the new model is being piloted. It is expected that the pilots will be tested and evaluated, and enhancements made through a co-design process with providers, employers and job

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[1] Data taken from: http://www.eo-geohub.com/datasets/6dddbc52b14243918b2b0537ded5befa_0 (FY 2015/16 – most recent available on line), https://www.mccss.gov.on.ca/en/mcss/programs/social/ow/contacts/ow_contacts.aspx Does not differentiate between assistance and employment supports. Does not include sub-contracted ES agreements, https://www.mccss.gov.on.ca/en/mcss/programs/social/odsp/employment_support/EmploymentServiceProviders.aspx, http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1_304en16.pdf, http://www.auditor.on.ca/en/content/annualreports/arreports/en18/v1_311en18.pdf, http://www.auditor.on.ca/en/content/annualreports/arreports/en11/409en11.pdf

[2] BC results https://www.onestep.ca/images//Contract-Awardees-Resulting-from-BC-RFP-Process-2018.Pdf

[3] These dollar amounts represent 5-year contracts.

seekers. Employment services will be provided by centralized agencies who hold a contractual licence with the government. In some regions, there will be specialist licenses however, the number of licences in each region will be capped to ensure market stability. The new model will include new payment structures, with higher up-front payments to support investment in early intervention. Outcome payments will continue to be used to reward moving job seekers into employment and will be the primary performance measure. Progress payments will recognise the completion of milestones towards employment, while bonuses will be available for achieving sustainable outcomes for long-term unemployed job seekers. Providers that are issued a licence will face regular evaluations of performance incorporating feedback from employers and local stakeholders. Poor performers will not have their licences renewed and will exit the market, providing strong incentives to achieve outcomes.

A comparison of these models with what is currently known regarding Ontario's transformation supports the following:

- Significant reduction in the number of contract holders across the province.
- Significant increase in the amount held by contract holders (possibly by orders of magnitude depending on how many SSM's are put in place).
- Barring specific requirements placed in the RFP, the SSM in a particular region will chose how, and by whom, services will be delivered.
- Any service delivery agreements for local entities will be negotiated, held and managed by the SSM.
- A strong emphasis on pay for performance models.
- The introduction of new entities as leads in local communities (e.g., private sector companies).
- As of April 1st, 2020 (at the latest) – in the 3 prototype regions – all contracts held by service providers for the delivery of employment services through EO will not be renewed by MTCU.

Timeline considerations

In the February 2019 announcement the Government indicated that changes to Ontario's employment services will be implemented gradually over several years. This would suggest a timeline similar to Australia's with a few regions being switched over in 2019 and full system transformation occurring by mid 2022. A complicating factor for that timeline in the Ontario context, is the provincial election on June 2nd, 2022. Based on history and political practice, it seems unlikely that the Government would want to head into a pre-election period with the state of the employment services system undecided. That compresses the timeframe in which restructuring is likely to happen. It would also preclude a full year testing and evaluation period (such as is being seen in Australia) for the 3 prototypes prior to the design, selection and implementation of transformation for the rest of the province. Like Australia, Ontario will be undertaking a three-part transformation process – however the timelines in Ontario are more likely to see pieces occurring in parallel than in series given political timelines considerations.

	2020			2021				2022			
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
	Prototypes Operational				1-Year Mark for Prototypes			Campaigning Season	Election: June 2, 2022		

From business as usual to transformation

There are 3 simultaneous timelines that will be taking place as Ontario moves forward with transformation:

- Execution of 'business as usual' contracts with existing service providers
- Design, selection and launch of the 3 prototypes
- Design, selection and implementation of transformation for the rest of the province

	2019									2020			
	April	May	June	July	August	September	October	November	December	January	February	March	April
Business as Usual	Contracts Signed												
3 New Prototypes			RFP Released		RFP Submissions Due			Announcement of Successful Applicants					Prototypes Operational
System Transformation					*Lots of questions on this timeline*								

The first one, 'business as usual', involves a continuation of existing service provider contracts to ensure that Ontario is still meeting both provincial and federal targets as well as ensuring a continuity of service for Ontarians. As new areas are introduced to the SSM model across the province, these contracts will need to be discontinued at the Government level. Renewal or recontracting will then fall to the SSM. The removal of the six-month notice of termination article under Schedule B will provide greater flexibility to the Government throughout this process by removing the need to align with fiscal year ends and/or manage extensions or longer wind down periods around existing contracts.

The second timeline is around the design, selection and launch of the three prototype regions. Currently, a request for proposals (RFP) is expected to be released in spring 2019, with an announcement of successful applicants in fall 2019. The last time a timeline such as this one was seen was around the Local Employment Planning Council (LEPC) pilots. If a similar pattern is followed, then it is reasonable to expect that a late spring/late fall timeframe will be met. This would mean that RFP responses will need to be compiled/submitted in the summer for a review/selection process in early-mid fall. Currently, it is unclear as to when the prototypes will be fully operational, but the current speculation would have them launched for April 2020.

Finally, design, selection and implementation of SSM's and integrated service delivery models will need to be done for the rest of the province. Given the political timelines outlined above, a best-case scenario for transformation would be one that allows the maximum amount of time for learning from the prototypes, while still allowing the Government to head into the pre-election period with a restructured system. Working backwards (and assuming a similar timeframe for RFP, selection, announcement and launch that was seen with the prototypes) that would mean that SSM's across the province would need to be operational by end of calendar year, 2021. Based on this, a roll-out timeline would look like:

- RFP – released early spring 2021
- Submissions due – late spring 2021
- Review and Selection – summer 2021
- Announcement of successful bids – early fall 2021
- Launch of new model in remaining areas – December 2021

This timeline would require a continuation of existing EO contracts through the 2020/21 fiscal year for non prototype areas. It is also a very compressed timeline with the possibility of delays in execution heading into an election year. These two things combine to suggest that it is likely an overly optimistic timeline; however, it does provide an outward bound for how long service providers could expect to see contracts continuing under the current structure. Given that, even in the best-case scenario outlined above, a meaningful assessment of the SSM model across the 3 prototypes areas will not be possible, there is no incentive for delaying the transformation of the remainder of the province concurrent with the launch and operation of the prototypes.

SOME TAKE HOME POINTS

As mentioned earlier, the detailed implementation plan and many aspects of Ontario's employment services transformation remain speculative and 'to be determined'. What is clear, is that the province is moving towards a model of delivery with centralized intermediaries. These entities will represent significant influence in local communities with respect to how employment services are delivered. In the past, operational incentives/monitoring has not incentivized the most collaborative approach to service delivery – with agencies frequently feeling as though they are pitted against each other in order to meet targets set by the funder. This is further complicated by the – be it real or perceived – existence of unequal playing fields for some delivery organizations over others (e.g., colleges, for-profits, municipalities, ETC relationships). These things, when combined with an overall lack of core funding increase, less flexible programming structures and decreased opportunities for meaningful engagement with funders, have created significant challenges for unified and cooperative approaches within – or across – communities. Despite these challenges, there exist numerous examples of strong, locally-driven collaborative approaches across the province.

Moving into the new structure there is both an opportunity – and a need – to build on existing relationships, create new ones, and expand our understanding of what it means to be a workforce development sector. The SSM's in your areas, and their related delivery models, will need to reflect the needs of your communities (e.g., demographics, geography, sectors). Regardless of who ends up holding the contract, the knowledge for what is needed lies with the existing network of employment and training providers and their workforce development partners. If all those voices are not at the table as your area moves forward, it is highly unlikely that what comes out in the end will serve your communities in the way that is needed. Conversations need to start – across funding lines, organization type, programming line, populations served – that begin exploring what an integrated approach can look like. The expression 'form follows function' is commonly used in organizational planning and it applies very well in our current scenario. SSM's and delivery models should be built based on the needs of your communities – not the other way around. While there are still many features of the new system that are under development, the language from the Government has been focussed on (i) helping Ontarians find and keep good jobs and (ii) ensuring better coordinated, local-level planning. These are two aspects that the network itself has put forward as important aspects and hopefully provide a good foundation for beginning these conversations across your communities.

ONESTEP will continue to update and support its members as we move through this system transformation. Through regional meetings, our private LinkedIn group, member communications and other touch points, we will ensure that any information that is available is made readily accessible. Some projects already underway:

- Research report providing a cross jurisdictional comparison of workforce development intermediary models for consideration by local communities when designing their own local delivery network/approach
- Research project looking at how community-based organizations articulate ROI around their work in the workforce development space
- Case studies of agencies from across the province highlighting success factors for effective, integrated multi-service delivery models
- Compilation/cost analysis of operational reduction and/or wind-down requirements considering the new termination period in EO contracts

Please do not hesitate to reach out with any further ideas or even just to information share around what's happening in your communities. The more we are connected with you, the better we can speak to what is happening across the province and support you in your work.

APPENDIX A – MCCSS AND MTCU QUESTIONS FOR STAKEHOLDER INPUT

1. What is the most challenging aspect of the current employment services system and how can we best resolve it in the new model?

2. How can we ensure that service providers are able to adequately service people with disabilities under the new model?

3. How are you already integrating services? Do you have examples of best practices or joint planning models for integrating services with municipalities? Other provincial ministries? The Federal Government?

4. Who would you imagine to be the kind of organization(s) to take on the service manager role?

5. What do you think should be our key considerations for ensuring better outcomes for job seekers?

6. How do we ensure that the needs of people with disabilities are being met?

7. Where can we remove barriers for job seekers to the job market?

8. How can we encourage more employers to engage with service providers?

9. Are there unique circumstances in any of the communities where your members are located that would need to be understood while moving forward with the new model?
   (a) What are the factors that will need to be considered for urban communities?
   (b) What are the factors that will need to be considered for northern and rural communities?

10. What has been the overall reaction to the announcement? Have you heard from clients about the upcoming changes?