

Employment Services Transformation: Recommendations on the City's Role

Date: April 11, 2023

To: Economic and Community Development Committee

From: General Manager, Toronto Employment and Social Services

Wards: All

SUMMARY

In May 2021, Toronto Employment and Social Services reported to Council with details of Ontario's plan for Social Assistance Renewal which will impact recipients of the Ontario Works and the Ontario Disability Support Program and the municipal entities, including Toronto, that deliver Ontario Works. ([May 6, 2021 Report to Council](#))

This report focuses on a key area of change, Employment Services Transformation, and provides recommendations on what role the City should play in the transformed Employment Service System.

Being implemented by the Ministry of Labour, Immigration, Training and Skills Development, Employment Services Transformation is intended to integrate social assistance employment programs with Provincial employment programs, led by the introduction of new Employment Service System Managers in local labour market areas, with a goal of reducing duplication across systems, promoting greater integration between Employment Ontario and Ontario Works providers and improving employment outcomes for recipients of Ontario Works and the Ontario Disability Support Program.

In developing recommendations on what role the City should play in the transformed employment service system, a comprehensive review, assessment (including financial impact assessment) and engagement plan was completed. Leveraging the City's extensive partnerships and vast experience serving Ontario Works clients over many years, staff conducted the following activities to inform this report:

- extensive engagement with key external stakeholders and the Province
- an assessment of financial risks related to the Employment Service System Manager role under the Integrated Employment Service delivery model; and
- a review of the City's administrative capacity and financial resources necessary to sustain focus on multiple initiatives and priorities under the City's Poverty Reduction Strategy which collectively aim to address the social, financial and employment barriers faced by low-income residents.

As this report highlights, these activities enabled a comprehensive risk assessment of the expected client impacts of the implementation of Employment Services Transformation in Toronto as well as implications for the future Employment Service System Manager. Based on this risk assessment, it is not recommended that the City pursue the role of Employment Service System Manager for the Toronto Service Area.

The recommendations below best position the City to influence and advocate for changes to address the assessed challenges by leveraging its expertise, partnerships and existing priorities designed to enhance the social, financial and employment barriers of low-income residents, while mitigating, to the extent possible, risk to the City.

Attachments to the Report

There are two attachments to this report. Attachment 1 comprises sections that provide more detailed context on certain elements; references are provided within the body of the report to assist the reader. Attachment 2 is the Employment Services Transformation & Workforce Development Engagement Final Report.

RECOMMENDATIONS

The General Manager, Toronto Employment and Social Services recommends that:

1. City Council direct the General Manager, Toronto Employment and Social Services to not pursue the role of Employment Service System Manager for the Toronto Service Area, on behalf of the City, and to undertake the following actions to ensure the employment needs of social assistance clients and the best interests of the City are met:

- a. Continue to advocate with the Ministries of Children, Community and Social Services and Labour, Immigration, Training and Skills Development for an Employment Services Transformation implementation plan for the Toronto Service Area that maintains an appropriate level of employment services funding for Toronto Employment and Social Services.
- b. Establish a collaborative partnership with the vendor selected by the Ministry of Labour, Immigration, Training and Skills Development to serve as the Employment Service System Manager for the Toronto Service Area.
- c. report back to Council following the selection of the Employment Service System Manager for the Toronto Service Area with an update on the system transition timeline and partnership activities underway between the City and the System Manager.

2. City Council direct the General Manager, Toronto Employment and Social Services, in collaboration with the General Manager, Social Development, Finance and Administration the General Manager, Economic Development and Culture, and the

Chief Librarian, Toronto Public Library to report back to Council on opportunities for the City to best leverage its workforce development priorities and investments across several programs and Divisions to enhance employment outcomes for all residents, with a focus on low-income residents and social assistance clients.

FINANCIAL IMPACT

With the implementation of Employment Service Transformation in Toronto a portion of funding the City receives from the Province to deliver the Ontario Works program will be transferred to the Ministry of Labour, Immigration, Training and Skills Development for direct reinvestment in the new Employment Services System Manager's budget.

1. In 2023, the City's projected expenditures for employment financial benefits and programming are \$54.2 million, all of which are 100% Provincially funded.
2. The estimated amount of funding to be transferred out of the City's Provincial allocation, based on current modeling, is \$38.6 million (See Attachment 1, Section B for details). The transfer of funding will occur following the transition period for the onboarding of the new Employment Services System Manager for Toronto. Based on current understanding of timelines, the transfer is expected for the 2025 Budget.
3. As noted in Attachment 1, Section B to this report, it is estimated that there will be a residual of \$15.6 million in Provincial Ontario Works funding following the upload of Ontario Works employment services programming. This residual funding will be used to support a greater focus on stability supports for Ontario Works clients following the post-Employment Service Transformation implementation; the City will not be able to use the residual funding to fund duplicative employment supports and services funded under Employment Ontario.

\$20 million of the \$38.6 million in funding to be withdrawn is currently used to contract employment training and skills development programs through 240 community organizations. As a result of the funding withdrawal, the City will be required to terminate these existing contracts. The discontinuation of employment programs specifically designed to meet the needs of individuals facing multiple barriers which place them further from the labour market will create a gap in programming that cannot be filled by Provincial programming that continues to focus on the needs of those closer to the labour market. Recommendation 1(a) of this report is intended to mitigate the creation of a gap in programming through continued Provincial funding to the City to deliver appropriately focused training and skills development programs for Ontario Works clients.

In the absence of the continuation of an adequate amount of Provincial funding, the City would not be able to address this gap without significant new investment or reduction in current services and/or service levels.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT

As one of the world's most diverse cities, Toronto is home to a high proportion of Black and Indigenous people and equity-deserving populations, many of whom are overrepresented among social assistance recipients. Given the diverse demographic profile of Toronto's social assistance clients, the equity impact of the Integrated Employment Service model is expected to be significant.

Through staff's extensive engagement with external stakeholders and other municipalities, a number of concerns surfaced with respect to the new Integrated Employment Service model's ability to effectively support Ontario Works and Ontario Disability Support Program clients facing multiple barriers to employment (e.g. housing insecurity, education/skills gap, language barrier, lack of Canadian work experience, mental health and substance use challenges). Many of these concerns were grounded in a reported gap in access to pre-employment supports, appropriate training opportunities and financial supports such as those currently being funded by Toronto Employment and Social Services. In addition, concern was raised around the ability of current Employment Ontario service providers to serve individuals further from the labour market without additional funding for more intensive supports.

DECISION HISTORY

On May 5, 2021, City Council directed the General Manager, Toronto Employment and Social Services to:

1. Report in the second quarter of 2022 on the co-design and implementation of Phase 1 of Ontario's Social Assistance Recovery and Renewal plan, including updates on the impact of the centralization of Ontario Works financial assistance application administration on related roles and functions at the City of Toronto's Application and Support Centre and Toronto Employment and Social Services, budget implications for the City of Toronto, and progress on the Provincial plan for human services integration; and
2. Engage with other divisions and Toronto Public Library, as well as community and workforce development stakeholders, as appropriate, to assess how the City of Toronto can best advance its workforce development priorities and support residents in a transformed employment service system, including whether the City should pursue the new employment service system manager role and, if so, in what configuration and report on findings and recommendations in the second quarter of 2022.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EC21.2>

On July 19, 2022, City Council directed the General Manager, Toronto Employment and Social Services, in consultation with the Executive Director, Social Development, Finance and Administration, to report back in the first quarter 2023 on the next phase of Social Assistance Renewal, including timelines, roles and budget related to the shift towards the Provincial benefits administration and program risk management, along with an update on the implementation of Centralized Intake in Toronto, including the centralization of Ontario Works phone applications. [Agenda Item History - 2022.EC31.6 \(toronto.ca\)](#).

COMMENTS

EMPLOYMENT SERVICE SYSTEM IN ONTARIO

This report focuses on changes the Province is making to the delivery of employment services for social assistance. For context, there are currently three separate employment services system in Ontario, including:

- **Employment Ontario Employment Supports and Services** (Provincially funded by Ministry of Labour, Immigration, Training and Skills Development with administration responsibility being outsourced to a third party under Employment Service Transformation). All residents of Ontario are eligible. Historically, services have focused on the needs of individuals closer to the labour market.
- **Ontario Disability Support Program Employment Services** (Provincially funded and administered). All residents of Ontario living with a disability are eligible.
- **Ontario Works Employment Supports and Services** (Provincially funded through municipal Ontario Works Program Delivery funding and administered municipally). Ontario Works recipients and non-disabled Ontario Disability Support Program recipients in the municipal service area are eligible.

Under Employment Services Transformation responsibility for delivering services currently managed under the two social assistance systems will transition to Employment Ontario for a single provincial system for all jobseekers.

OVERVIEW OF THE CITY AS ONTARIO WORKS DELIVERY AGENT

Toronto has delegated authority under the *Ontario Works Act* to deliver the Ontario Works social assistance program on behalf of the Province. Toronto Employment and Social Services carries out this responsibility on behalf of the City.

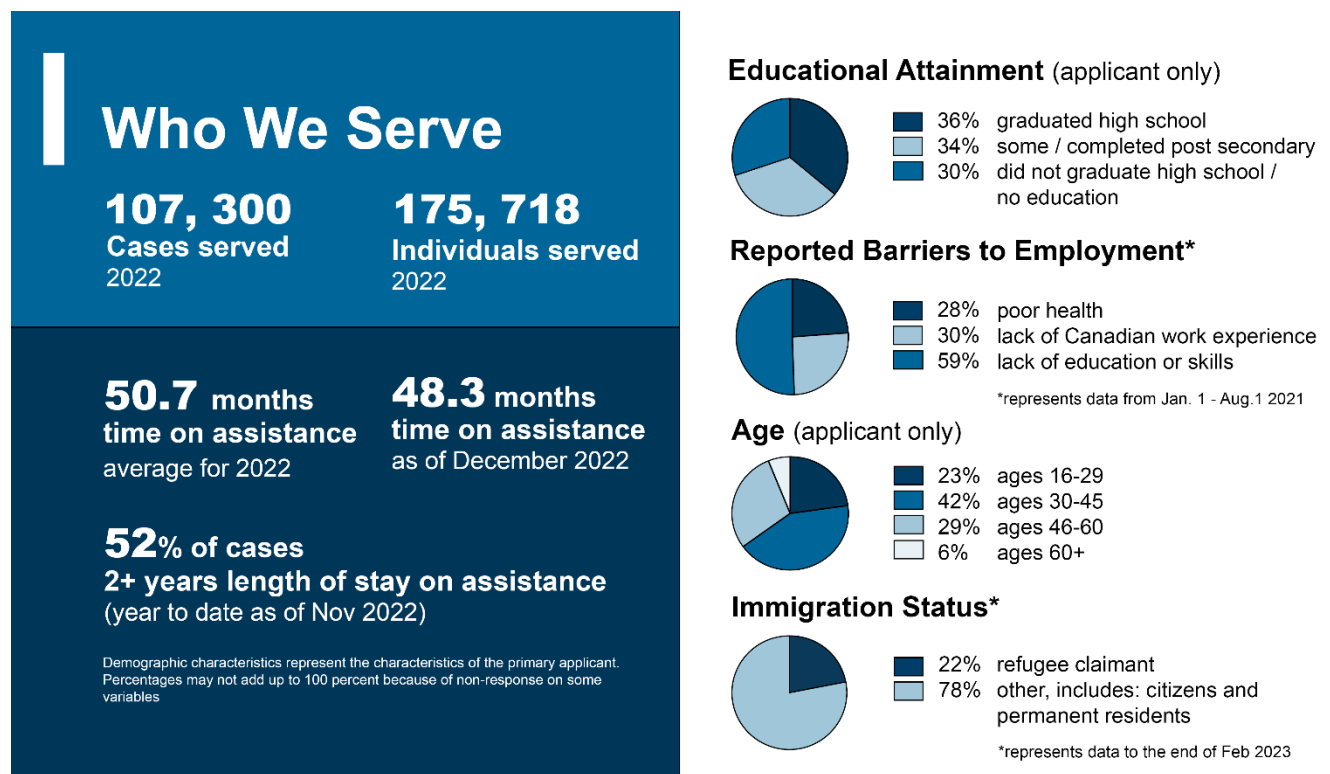
As the Ontario Works delivery agent, the City carries out three primary roles, including: the provision of financial assistance and other benefits to eligible recipients, case management and service planning for over 80,000 clients each month, and supports to assist clients to move into employment.

The City is required to meet Provincially set outcome measures and targets; a portion of funding received from Province to deliver the Ontario Works program is outcome-based. Currently, there are four key outcomes all of which are employment based, for example targets for number of client exits to employment and earnings from employment. Once Employment Services Transformation is implemented, the City will continue to be held accountable for employment related outcomes, among others, in its role as the Ontario Works delivery agent.

The City’s Role in Assisting Clients to Move to Employment

Many individuals in receipt of Ontario Works face multiple barriers to employment such as a lack of training and/or education, poor health and limited or no Canadian work experience. As a result of living in poverty, many also face housing instability, food insecurity, and ongoing health issues, including mental health and substance use challenges making it even more difficult to pursue and retain employment. These are all systemic barriers that lead to poverty or keep people in poverty and therefore require solutions that consider a systemic approach.

Table 1 – Toronto Employment and Social Services: Key Caseload Data



As a result of these barriers, only a small portion (less than 10% per year) of Ontario Works recipients in Toronto are considered appropriate for referral to Employment Ontario, as many Employment Services providers are not experienced in nor funded to support individuals with a higher intensity of need. Likewise, skills training programs funded by Employment Ontario are not focused on the training needs of those furthest from the labour market.

Toronto Employment and Social Services uses Provincial funding received under its Ontario Works Program Delivery allocation to provide a range of employment related financial benefits and pre-employment, training and skills development programs to Ontario Works recipients, which includes non-disabled family members in an ODSP benefit unit. These programs have been specifically designed to meet the needs of individuals further from the labour market, often combining life skills and necessary wrap around supports in the training experience. Through Toronto Employment and Social Services, the City holds multi-year contracts with over 240 community organizations to deliver this suite of programming

The total investment in these benefits and programs in 2023 is projected to be **\$54.2 million**, as follows (See Attachment 1, Section B):

Employment Related Financial Benefits (to clients): **\$29.4 million**
 Employment Training/Skills Development Programs (to agencies): **\$24.8 million**

Diagram 1 - Toronto Employment and Social Services: Key Functions and Services

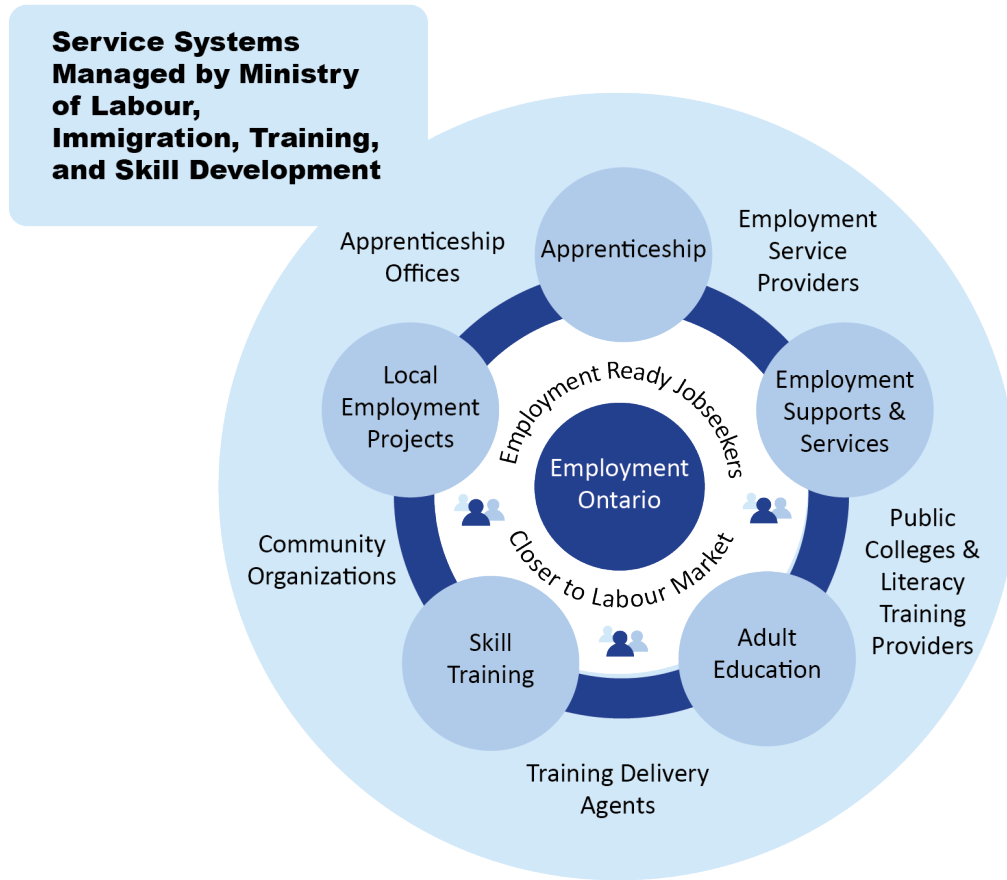


OVERVIEW OF KEY ELEMENTS OF EMPLOYMENT SERVICES TRANSFORMATION AND CHALLENGES IN THE TORONTO CONTEXT

Key Elements of Employment Services Transformation

Employment Ontario supports Ontario residents to employment through 5 streams of programming. These streams focus on the delivery of skills training programs, apprenticeship training, adult education (e.g. basic skills and literacy), local employment projects and employment supports and services

Diagram 2 - Current Employment Ontario Program Streams and Delivery Network in Toronto



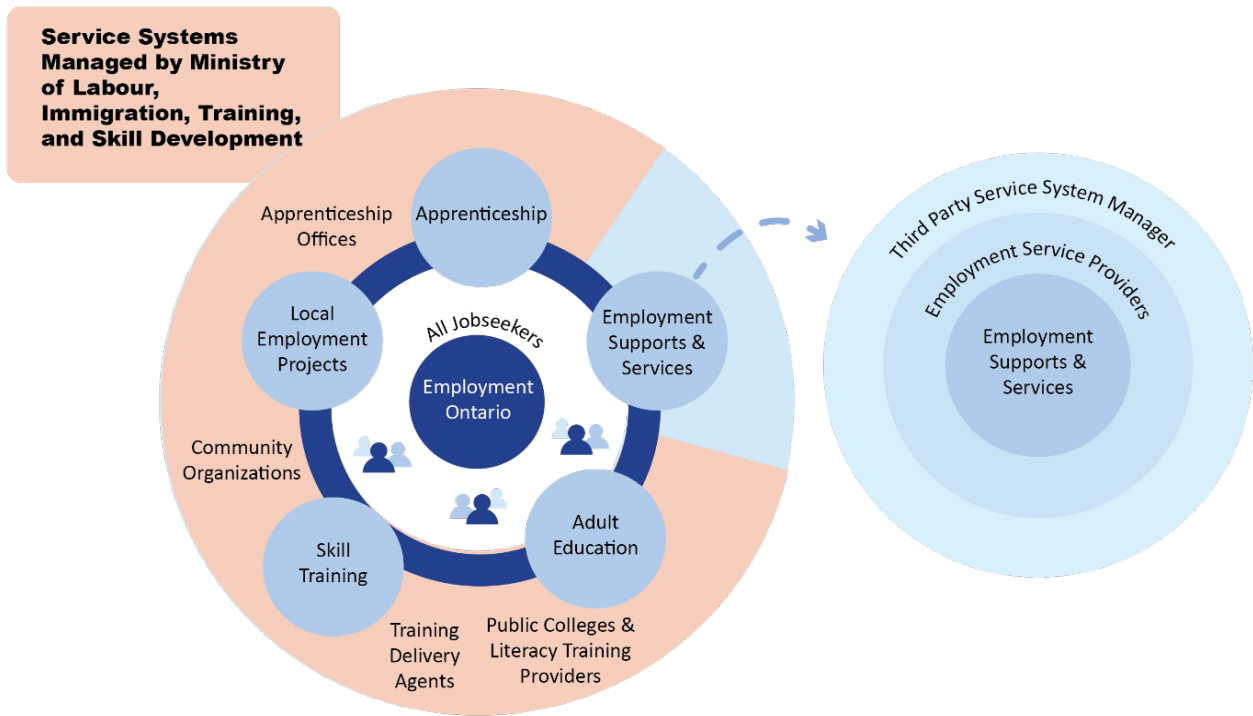
Employment Service Transformation is focussed on the employment supports and services stream under Employment Ontario, with responsibility for providing employment supports and services to social assistance recipients transitioning from municipalities to Employment Ontario.

Furthermore, this change includes the implementation of a new Integrated Employment Service delivery model designed by the Ministry. Under this model:

- the province has been divided into 15 new Service Areas, with Toronto being a single service area;
- each Service Area will be managed by a third-party Service System Manager selected through a competitive process;
- the Service System Manager will be held to Provincially set employment outcome targets and 20% of their budget will be outcomes based; and
- jobseeker distance from the labour market will be assessed using a common tool regardless of point of access.

Diagram 3 - Employment Ontario and Ontario Works Key Functions and Delivery Network Post Implementation of Employment Services Transformation

Employment Ontario



Ontario Works (within the Toronto Context)



To date, the Integrated Employment Service delivery model has been fully implemented in 6 Service Areas and is in various stages of implementation in another 6 sites (see Attachment 1, Section C). While a final timeline for implementation for the Integrated Employment Service model in the Toronto Service Area has not yet been confirmed, it is expected the procurement process could begin as soon as Q2 2023 with selection of the Service System Manager by early 2024.

The procurement process for the Employment Service System Manager includes the following two phases:

- *Request for Qualification:* Organizations interested in applying for the role of Employment Service System Managers must submit a Request for Qualification to determine if there are qualified applicants interested and capable of managing the delivery of employment services within the service area.
 - Participation in the Request for Qualification is open to any public, not-for-profit and private sector organization, as well as municipalities and municipal service delivery organizations and is expected to launch in Q2 2023. This process is non-binding and is a pre-requisite to participate in Phase Two.
- *Call for Proposals:* Organizations that qualify through the Request for Qualifications phase will be invited to participate in the second and final phase of the selection process, the Call for Proposals. This second phase is expected to launch in Q4 2023.

Challenges in the Toronto Context

Implementation of the Integrated Employment Service delivery model will have varying impacts based on Service Area. This is because, historically, individual Ontario Works Administrators have used their discretion delegated by the Province to implement an employment services delivery structure, and services and supports, that reflect local need. The following section speaks to the specific challenges within the Toronto context.

Employment Services provided through Employment Ontario are mostly linear, transactional services, delivered directly to jobseekers by organizations with very specific outcome mandates and funding. They focus on short-term strategies that prepare individuals for work and get them into jobs. As such, these services have not traditionally focused on people further from the labour market, nor typically have they provided the kinds of holistic life skills and wrap around supports many Ontario Works clients need.

With the implementation of Employment Services Transformation, the Province will withdraw an estimated \$38.6 million in funding from the City's Ontario Works Program Delivery Funding allocation. This funding will be transferred to the Employment Service System Manager. The withdrawal of Provincial funding from the City's current programming is a key challenge in the Toronto context creating a number of risks.

With the funding withdrawal, Ontario Works clients' access to key programs and services will be significantly reduced as the majority of appropriately focused programs currently funded by Toronto are not offered through Employment Ontario.

Toronto Employment and Social Services funds over 240 community organizations to provide employment related programs and services to Ontario Works clients. Many of these funding relationships are long standing. These programs have similar outcome objectives as programming provided under Employment Ontario's skills training stream, however, they differ from these Provincial programs in that they are specifically focused on supporting individuals further from the labour market. Many of these providers are smaller not for profit community-based organizations that have not historically been Employment Ontario service providers.

A key theme from the stakeholder engagement was concern that this gap creates significant risks to the success of the Integrated Employment Service delivery model in achieving improved outcomes for social assistance recipients in the Toronto Service Area (see Attachment 1, Section A).

As the Employment Service System Manager does not have responsibility for designing, funding or providing Provincial training and skills development programming, there is no guarantee the funding withdrawn from the City will be reinvested to address the resulting gap in programming.

Through the engagement process, staff heard concern from many of the City's contracted service providers around the risk of "defunding" as a result of the Integrated Employment Service model. Some felt that the City should ensure that the financial resources for these programs be maintained. In the absence of a decision by the Province to maintain the City's role and funding to provide appropriately focused training programs, there is a risk the City will come under pressure to provide funding through the tax base. This financial risk to the City would be approximately \$20 million based on 2023 expected expenditures for contracted employment programs.

Through the engagement process City staff also heard that the transition of funding and responsibility for providing Ontario Works clients with employment related financial benefits, such as transportation, and pre-employment programming from the City to the Employment Service System Manager has proven problematic in other Integrated Employment Service sites. The experience described in those sites included the provision of benefits being significantly lower in comparison to those previously provided under Ontario Works and pre-employment programming being inaccessible to clients.

The Integrated Employment Service delivery model is also underpinned by an outcomes-based accountability framework with provincially defined measures and targets. The only eligible outcome is employment and assumes that an employment outcome is a realistic goal for all Ontario Works recipients. City experience in supporting over 80,000 Ontario Works cases a month differs significantly in this perspective. As articulated above, most Ontario Works recipients report more than one barrier to employment, with the top three reported barriers being lack of Canadian work experience, lack of education/skills and poor health. As a result, the efficacy of the

Integrated Employment Service system may be contingent on additional investment by the Service System Manager to address the many challenges it presents in the Toronto Service Area.

Assuming the role of Employment Service System Manager would require the City to implement a new internal administrative infrastructure to manage an estimated 160,000 Employment Ontario Employment Services clients annually who are not on social assistance in addition to the City's Ontario Works caseload as well as participating Ontario Disability Support Program recipients. Comparatively, this service system would be significantly larger than other existing service system manager functions the City undertakes on behalf of the Province, including Ontario Works delivery, childcare fee subsidy management (fee subsidy allocation set at 30,700) and Rent Geared to Income administration (84,593 application waitlist). In addition, the Employment Service System Manager would be responsible for contract management of a robust network of employment services providers. There is no area of the City that could assume management of this service system without additional investments and resources and enhanced administrative capacity.

Social assistance recipients, the target beneficiaries of Employment Services Transformation, also benefit from myriad City programs outside of social assistance. Key City priorities such as the Poverty Reduction Strategy, Newcomer Strategy, Reconciliation Action Plan, and Plan to Confront Anti-Black Racism (see Attachment 1, Section D) are focussed on addressing the social, financial and employment barriers of low-income Toronto residents, many of whom are Social Assistance recipients. It is vital that the City continue to focus on and fund these critical priorities. The risk that the City may need to make additional investments to address the assessed challenges of the Integrated Employment Service delivery model as the Employment Service System Manager, serving all residents in the Toronto delivery area, creates a concurrent risk of having to potentially divert funding from these existing priorities.

Summary of Key Risks

The above challenges pose significant risk to residents, community providers and the City as summarized below.

1. Misalignment Between Programming and Supports Across Systems

- The removal of the City's role in providing employment related financial benefits and managing a network of training programs creates a gap in appropriately focused programming to address the needs of residents experiencing multiple barriers to employment and furthest from the labour market.
- Provincial training programs are not currently positioned to address the needs of the majority of Ontario Works recipients who will be required to receive employment services through Employment Ontario.
- Without continued access to appropriately focused programming to facilitate successful transition to employment services and ultimately employment there

is a high risk that clients will not receive services matched to their needs and that the system will not be able to achieve the intended improved outcomes for Ontario Works clients and may instead contribute to poorer outcomes.

2. Potential Employment Service System Manager Role

- The Integrated Employment Service delivery model is underpinned by an outcomes-based accountability framework with provincially defined measures and targets which incorrectly assume that an employment outcome is a realistic goal for all Ontario Works recipients.
- Underachievement of outcomes for Ontario Works recipients in the Integrated Employment Service delivery system could have a direct impact on the City's role as the Ontario Works delivery agent. Assuming both roles would compound the financial risk for the City.
- Maintaining funding to manage a network of pre-employment, training and skills development programs would decrease the risk related to underachievement of outcomes but would not fully mitigate overall risk to the City.
- Additional investment may be required by the Service System Manager to address the many challenges the Integrated Employment Service delivery model presents in the Toronto Service Area.
- Would require the City to develop a new internal administrative infrastructure.

3. Delegated Role as Ontario Works Delivery Agent

- The City's ability to achieve provincially set Ontario Works outcomes is inextricably linked to the success of the Employment Service System Manager in achieving employment outcomes for Ontario Works clients.

4. Funder of a Network of Community Providers

- Expectation by community partners for the City to continue to fund current employment training and skills development programming financed through the Provincial allocation under the Ontario Works program - \$20 million risk.

5. Poverty Reduction Strategy and other City Priorities

- The assessed high financial risks and contracted obligations of assuming the new Employment Service System Manager role may require additional City funding to manage / mitigate these risks. This could in turn detract from the City's ability to focus sufficient attention on and sustain existing City supports and services for vulnerable and low-income residents.

ADVOCATING FOR AN INFLUENTIAL ROLE FOR THE CITY

The recommendations in this report support the City continuing to take a strong advocacy role with the Province to leverage its many years of experience and current infrastructure to support improved outcomes for Ontario Works recipients (including non-disabled family members of ODSP recipients) under the Integrated Employment Service delivery model. Specifically, the City has requested that its role in and funding to support the management of an appropriately focused network of training, skills development and pre-employment programming and financial supports be maintained to maximize the successful transition of Ontario Works clients to Employment Ontario Employment Services and ultimately to employment.

This approach, contingent on continued Provincial funding, would provide an opportunity for:

- the selected Employment Service System Manager to work closely with the City in the design of the system and in determining the focus of programming particularly to best serve the needs of residents most distant from the labour market;
- allow smaller community organizations with demonstrated success in serving Ontario Works clients and which historically have been overlooked by Employment Ontario to play a vital role in preparing low-income residents for employment; and
- the City and the Employment Service System Manager to effectively establish the integrated case management approach envisioned under the new model to enable timely and appropriate referrals of Ontario Works clients into focused employment services leading to enhanced outcomes.

At the same time, an influential role for the City outside of the Employment Service System would pose fewer risks to the City.

Furthermore, as the municipal delivery agent of the Ontario Works program locally, Toronto will continue to play a key role in supporting successful employment outcomes for Ontario Works clients. As in other Employment Services Transformation sites across the province where the municipal government is not the Employment Service System Manager (see Attachment 1, Section C), Toronto Employment and Social Services will work in close partnership with the Service System Manager within the framework of the integrated employment system to enable quality referrals of Ontario Works clients to employment services, provide integrated case management to support ongoing client needs, and collectively measure success and identify opportunities for improvement.

Finally, through the external engagement process stakeholders identified workforce development approaches as complementary to supporting individuals to employment, in particular, those furthest from the labour market and equity-deserving populations. Stakeholders felt the City should assume an enhanced role in Toronto's workforce development ecosystem. Workforce development approaches focus on both the supply (people) and demand (employers and jobs) side of the labour market, including steps needed to facilitate jobseeker entry or re-entry into the labour force and robust relationships with employers and industry to understand their skill needs. City staff are

currently looking at this in closer detail and are recommending to report back to Council on opportunities for further exploration in Q4 2023.

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SIGNATURE

Tom Azouz
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ATTACHMENTS

Attachment 1, Section:

- A) Summary of Engagement with External Stakeholders and the Province
- B) Impact of Funding Withdrawal
- C) Employment Services Transformation: Employment Service System Managers Selected to Date
- D) Key City of Toronto Priorities/Initiatives

Attachment 2: Employment Services Transformation & Workforce Development Engagement Report