



Service Provider Funding and Target Adjustments

Technical Training Presentation

April 2017

Employment and Training Division
Ministry of Advanced Education and Skills Development

Purpose

To outline the Ministry of Advanced Education and Skills Development's (MAESD) approach to more consistently aligning the activity and funding levels of Employment Ontario Service Providers as committed to in the response to the Auditor General including:

The allocation methodology and evidence base for Employment Service (ES), Youth Job Connection (YJC), Canada-Ontario Job Grant (COJG) and Literacy and Basic Skills (LBS).

Context: Employment Ontario Value for Money Audit

Observation 4.2 (p. 265) of the Auditor General of Ontario's report stated the following concern with the determination of funding for Employment Service (ES):

- “The targeted number of clients to be served by each service provider has remained relatively constant for at least the past three years, even though some service providers are consistently serving fewer clients than planned for in their service contracts...**We would expect that funding would be adjusted in future years for service providers that consistently miss their intake targets...[MAESD] should ensure that the targeted number of clients to be served by each service provider, and the associated funding, are adjusted to reflect the actual level of services being provided**”.

In response to observation 4.2, the Ministry committed to the following under Recommendation 2:

- “Recent improvements in our business planning process, including a tool that outlines the current process and calculation for service provider intake targets, was released for business planning in October 2016 **for contracts effective April 2017**. It will ensure that a consistent approach for intake targets is applied throughout the province”.

Background

- The Auditor General of Ontario's 2016 report made recommendations that would help ensure that each dollar invested, is targeted at helping the most Ontarians possible. The ministry is implementing those recommendations.
- We are allocating funds to service providers according to the number of clients helped. Those providers, who serve more clients, will receive the funding they need to serve those clients.
- We are keeping overall funding levels to Employment Ontario the same. We have used a consistent approach to make adjustments to individual service providers, to ensure the greatest number of clients receives the highest quality of service.
- This is not a cost-cutting exercise: While some service providers will see a decrease in funding, other providers stand to gain funding as a result of our improved business planning process.
- Most importantly, clients seeking assistance through the Employment Ontario network will not be negatively impacted.
- The Ministry is committed to engaging service providers and stakeholders on the business planning process on potential improvements for the next business cycle.

Background continued

- ETD developed a performance-based allocation methodology to ensure funding is directed to high-performing service providers who have demonstrated organizational capacity and the ability to achieve successful outcomes for clients.

Implementation of Performance-Based Methodology Across Employment/Training Programs



- As part of our commitment to the recommendations made in the 2016 Annual Report of the Auditor General of Ontario, the Ministry of Advanced Education and Skills Development (MAESD) has committed to making adjustments to better align service provider funding and targets with actual levels of service.
- To do this, the ministry has made recent improvements to our business planning process, to ensure that a consistent approach for intake targets is applied throughout the province.

Background continued

- The overall methodology is not new but is being more consistently applied as part of our commitment to the Auditor General's observations.
- This methodology was initially implemented for the Employment Service (ES) in 2012. In 2013 this methodology was enhanced and adjusted to include performance indicators and applied to Youth Employment Fund. Since then it has been applied to the Canada-Ontario Job Grant (COJG), Youth Job Connection (YJC) and ES Youth Top Up.
- The ministry undertook a standardized three phase process to allocate funds and targets:
 - Provincial program allocations are determined by the ministry's annual budget process.
 - Regional allocations are determined using labour market information such as OW and youth unemployment data and program-specific data
 - Site funding and target allocations are determined using actual client and/or learner intake numbers, service provider performance results and expenditure patterns based on 2016-17 data

Background continued

- After standardized methodologies and data are applied regional adjustments can be made based on local intelligence. Local intelligence falls into three categories:
 - **Community need** – Funding for programs with a unique or expanding level of community need
 - **Minimum level for program viability** – budget adjusted so that the service provider has enough funds to provide a viable service
 - **Credible service provider action plan to increase activity** - A service provider has provided a credible action plan to increase program activity.
- Local Offices have data that is not reflected within EOIS-CaMS or the Community Needs data elements
- This includes Estimate of Expenditure Reports (EERs), SP monitoring results, SP Risk Assessments, documented discussions between ETCs and SPs, and internal SP reports
- Range of services provided by other levels of government/community may also be factored into analysis of community need
- Community Needs data and Local Intelligence are the basis of negotiating adjustments from the framework



Employment Service

Allocation Methodology

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ES Funding Model: Funding Ranges and Economies of Scale

Employment Service Funding Model

Employment Service Unit - Funded Intake Range	Employment Service Unit - Funding Ranges \$	Operating Budget Ranges* \$	Employment & Training Incentives & Supports \$
up to 399	1,000 - 2,950	100,000 - 600,000	21,000 - 84,000
400 - 899	925 - 2,100	370,000 - 1,250,000	84,000 - 189,000
900 - 1,499	850 - 1,200	765,000 - 1,750,000	189,000 - 315,000
1,500 - 1,999	795 - 1,000	1,192,500 - 2,000,000	315,000 - 420,000
2,000 and up	795 - 795	1,590,000 - negotiated	420,000 - negotiated

ES Funding Model: Funding Ranges

The funding ranges determine the amount of funding per service unit within the range.

Operating Budget

The funding within the ranges for Employment Service Units is linked to a number of variables. These variables, along with performance commitments, inform the funding decision:

- **Population base** (What are the unique characteristics of the people in my community? How do their characteristics align with the client suitability indicators?);
- **Location** (Are there service delivery provisions to facilitate access to service e.g. are itinerant services required? Are multiple points of service required?);
- **Labour market environment** (What are the characteristics of the local labour market? Are there increased investments, job opportunities, downsizings or potential layoffs?); and,
- **Economies of scale** (Will efficiencies be realized through higher levels of service intake?)

Determination of Community Need



As part of the Service Unit Adjustment process the following data elements provide an *evidence based* method to determine whether there are significant variations and/or trends showing a substantive change in the labour market of a community:

- Assisted Service Intake
- EI Rate
- Labour Force Participation Rates
- Ontario Works (OW) Caseload
- Unemployment rate

Employment Service: ES Service Unit Adjustment

- If the site is projected to achieve between 80% and 120% of their assisted service intake target by year end then the site's service units will normally not be adjusted. This is done to avoid dramatic decreases in budget and also allow an underachieving service provider the opportunity to increase their activity.
- Anything outside of this range (higher than 80% or lower than 120%) will be considered.

Example:

This site is projected to achieve < 80%* of its target and therefore can be considered for the service unit adjustment. The potential new assisted service intake target changes from 900 to 788.

Service Units	Value
1. Targeted Achievement:	900
2. Projected Achievement*:	676.5
3. Difference:	223.5
4. Difference/ 2:	111.75
5. Estimated new allocation (Figure #4 + Projected):	788.25 =788

*Actual Assisted Service Intake as of November 2016 = 451 with a projected year end result of 677 or 75%, which is within the <80% threshold.

- The ministry applied a 10% maximum adjustment per service delivery site to ensure service providers did not receive drastic budget decreases.



Canada-Ontario Job Grant

2017-18 Site Allocation

Methodology

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Canada Ontario Job Grant (COJG) Funding Allocation

- The ministry developed a COJG allocation framework for 2017/2018 that is based on program demand by region and community.
- At a community level, funding was divided among service delivery sites based on the following criteria, including:
 - Current expenditure projections
 - Demonstrated demand
 - Number of applications approved
 - Tiers of applications approved
- The COJG allocation framework ensures equitable access to funding for employers and that funding is distributed in accordance with employer demand.
- The methodology for COJG is not new and has been applied since 2015.

COJG Program Demand Overview

*Region	% Budget Requested
Central	138%
Eastern	63%
Northern	112%
Western	115%
Total	117%

As of December 2 (35 weeks of activity)

**Data Source: 2016/2017 December 2 2016, portal data*

Baseline Allocation

Provincial Allocations

The Provincial COJG allocation is based on the federal funding available under Canada Ontario Job Fund Agreement (COJFA).

The (COJFA) has set the program minimum spending requirement to approximately \$60 million annually.

Regional Allocation

The regional allocation was based on the COJG demand, as demonstrated by the total number of applications received in the current fiscal up to December 2, 2016.

The program's historical activity and demand trends were also taken into consideration.

The 2017/2018 program regional and CMSM allocation has been adjusted based on the program demand.

The original program allocation was based on the number of unemployed client accessing ES and also previous Youth Employment Fund program expenditure data.

Site Allocations

The COJG site allocation is based on the program demand in the community and the impact of the applications received by the service provider.

The service providers that demonstrated the ability to commit their budget and have greatest impact for the trainees were given the highest level of funding.

Under 25 Service Provider Categories

- Generally, service providers in categories C and D had their allocations reduced, with incremental funding going to service providers in category A.
- The category A service provider may also see a decrease, if the overall demand for COJG in the CMSM was low compared to other communities in the region.

Category A

- Projecting full expenditure (95% or more)
- Five or more applications approved, &
- Over 50% of the approved applications are under Tier 1

Category B

- Over 80% or more of the expected training contribution budget is allocated,
- Four or more applications approved
- At least one Tier 1 application
- 75% or more of the applications are Tier 1 or Tier 2

Category C

- Not part of category A, B or D

Category D

- Project to spend less than 50% of their Training budget allocation



Youth Job Connection & Youth Job Connection Summer

2017-18 Site Allocation

Methodology

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Youth Job Connection (YJC) & Youth Job Connection Summer (YJCS) Program Completion and Budget Expenditure Issues

- The YJC program was launched in October 2015 to serve multi-barriered youth and to support them in obtaining employable skills that lead to meaningful work
- Since the inception of the program, 46% of clients have completed the program, i.e. 4,480 clients out of 9,843 closed service plans (as of January 2, 2017)
- Two issues have been increasingly prominent in the program:
 1. Low Completion Rates – over half of the clients, i.e. 54% who participate do not successfully complete the program
 2. Budget Underutilization – continued underspending across the program
- The Ministry has received input from a number of stakeholders on approaches to improve YJC delivery.
- The Ministry is currently assessing this input and analysing data to implement key changes that would assist more youth to participate and complete the program and address SP delivery challenges.

Baseline Allocation

Regional Allocations (2015-16 & 2016-17)

The regional allocations were determined using CMSM data for the province and region.

- Youth Ontario Works (OW) population (2015-16)

Source: Ministry of Community and Social Service

- Actual Youth served by Employment Service (ES) (2015-16)

Source: Employment Ontario Information Systems: Case Management System (EOIS-CAMS)

- Proportion of YEF Placements (2014-15)

Source: EOIS-CAMS

- Unemployed Youth (2011)

Source: Statistics Canada National Household Survey

Site Allocations (2017-18)*

The data used to determine 2017-18 baseline allocations:

- 2016-17 Service provider expenditure as of December 31, 2016

- Service provider year end forecast as of January 2017 forecasted until March 31, 2017

- Local office year end forecast as of January 2017 forecasted until March 31, 2017 (reviewed by local office in March 2017)

(See next slide)

*Source: Service Provider Connect

Site Level Allocations – Methodology

- The 2017-18 funding allocation methodology for Youth Job Connection and Youth Job Connection Summer was based on expenditure data, service provider forecasts, local office forecasts as well as local office intelligence.
- The funding allocation methodology for 2017-18 was based on the following criteria:*
 - (1) Service provider expended funds as of December 31, 2016 and pro-rated over 12 months from the Estimate of Expenditure Report (EER)
 - (2) Service provider year end forecasts to March 31, 2017 submitted by December 31, 2016
 - (3) Local office year end forecasts to March 31, 2017 submitted by January 31, 2017 and again verified by local offices in March 2017)
- The expended funds, service provider forecasts and local office forecasts was calculated as a percentage of the 2016-17 total allocation.
- These percentages were averaged over the three criteria to come up with an expenditure and forecast average.
- This average was applied against the 2016-17 allocation to calculate the new 2017-18 allocation.

Application of Methodology Examples

Service Provider A

The 2016-17 allocation: \$290,400 with 44 client targets

- Criteria one:
 - 1) Expenditure as of December 31, 2016: \$157,831, 54% of the total allocation.
 - 2) Prorated Year End based on Year to Date Dec. 31, 2016:
 $\$157,831 / 9 \text{ months} \times 12 = \$210,441$, 72% of the total allocation
- Criteria two: Service provider year end forecast for March 31, 2017= \$222,911, 76% of the total allocation
- Criteria three: Local office year end forecast for March 31, 2017= \$222,911, 76% of the total allocation

Average of Criteria one, two and three: $72\% + 76\% + 76\% = 74.6\%$

2017-18 Allocation: $\$290,400 \times 0.746 = \$216,638$

2017-18 Targets: $\$216,638 / \$6,600 = 32.8$ client targets

The 2017-18 allocation: \$217,800, rounded up based on target of 33



Literacy and Basic Skills Target Reallocation Process

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LBS Target Methodology

- EOIS-CaMS has now provided stable and consistent learner data for the past two years, which allows for better analysis of LBS program trends.
- Consequently, a method was developed in 2016 to support consistent evidence-based target setting across the province.
- For the 2017/18 fiscal year, the ministry has developed a Literacy and Basic Skills (LBS) methodology that establishes consistent, realistic targets within current budgets.
- Adjustments were made to **targets only** (not funding) based on the maximum cost per learner by stream.
- This approach does not use performance data in setting targets but rather is based on client intake and cost per learner per stream benchmarks.

LBS Target Setting

- identifies LBS service delivery site outliers, that comparatively have the highest cost per learner
 - supports a consistent approach in the development of realistic and achievable learner targets for high cost sites
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- This method provides a single, common data source provincially and allows staff to easily filter the information by community, stream and sector with built in formulas to aid in their analysis.
 - The method is designed to adjust learner targets and/or funding using a consistent, evidence-based approach using program data.

2017/18 LBS Target Setting

Maximum Cost per Learner

- The maximum cost per learner was calculated by determining the sites with the 10% highest 2-year average cost per learner and then grouped by the Anglophone, Francophone, Indigenous and Deaf streams. Then, using the highest cost per learner for the remaining sites, the maximum cost per learner, by stream, was determined.

High cost sites

- High cost sites were those where the 2-year average actual cost per learner exceeded the maximum cost per learner by stream.

Stream	Cost Per Learner range of high cost Service providers (10% highest)	Non-high cost site highest cost per learner	Maximum Cost Per Learner
Anglophone	\$4,600 - \$7,036	\$3,503	\$3,500
Francophone	\$4,535 - \$8,160	\$3,980	\$4,000
Indigenous	\$4,904 - \$7,196	\$4,143	\$4,500
Deaf	\$8,275 - \$10,978	\$7,926	\$8,000

Recommended Learner Intake Targets

- The activity was calculated by determining the average number of actual learners served over the last 2 years (2015/16 and 2014/15).
- The new targets were calculated by determining the number of learners at the maximum cost per learner for the current budget.