ONTARIO NONPROFIT NETWORK

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Transformation without consultation: The repercussions of Ontario's Employment & Training transformation mount

Introduction

In 2019 the Ontario government began the process of transforming the employment and training (E&T) sector (now called Ontario's Integrated Employment Services (IES) system) in the province. At the time, the vision was to build a "locally responsive employment services system that effectively meets the needs of a diverse range of job seekers and employers in Ontario". The government's goals were for a more efficient, streamlined, and outcomes-focused employment services system.

In reality, after minimal consultation with the sector, transformation focused more on the provincial government divesting from much of its responsibility to provide effective services to communities. Now, almost seven years later and with all regions officially "transformed", the limits of the new system have become too big and obvious to ignore, with rippling effects across the rest of the sector.

In some ways transformation was a natural next step after multiple Auditor General and commissioned consulting reports, including the 2012 Drummond Report[1] and a 2019 report on modernizing employment & training, all highlighting the shortcomings in the system. There had also been a general consensus in the employment and training sector that changes needed to be made, especially to keep up with the changing world of work and to effectively meet the needs of vulnerable populations.

ONN's birds eye view of the transformation serves as a learning opportunity, and a warning sign for what can happen when similar attempts at transformation in other parts of the sector are announced and implemented without appropriate consultation of nonprofits and the communities they serve..

Background: Employment and training system transformation

The government's stated goal of transformation was:

- To address the government's priorities (as seen in Appendix 1 of Ontario's 2020-2025 Poverty Reduction Strategy) to decrease dependence on income assistance, the length of time people receive social assistance, and the number of people returning to social

[1] The 2012 Drummond Report highlighted the need for employment services to properly integrate ODSP and OW to produce better outcomes for people with disabilities in lieu of universal basic income programs or a functioning federal Employment Insurance (EI) program.

assistance within a year of leaving it. Government aimed to increase the number of social assistance recipients moving to employment each year from 35,000 in 2019 to 60,000 by 2024.

What the government *actually* achieved through transformation:

- Division of the province into new "catchment areas" or regions.
- Combined employment programs from social assistance (such as Ontario Works Employment Assistance and Ontario Disability Support Program Employment Supports) into Employment Ontario.
    - Though each program had different target groups, a one-size-fits-all model was forged, forcing specialized services to become more generalist in their approach.
- Introduced a new powerful actor, a Service System Manager (SSMs), to take on a lucrative contract for service oversight and management (including disseminating funding) and in some cases service delivery as well:
    - SSMs are selected by the provincial government through a bidding process, open to multinational for-profits, municipalities, and post-secondary institutions, and nonprofits.
    - Numerous for-profit organizations won SSM contracts in major cities across Ontario covering E&T services for 8-10 million Ontarians
- Increasing emphasis on a pay-for-performance model rather than fixed-payment model based on client volume where 20 per cent of available funding is rewarded based on performance and is only awarded upon proof of clients' retained employment.

(Un)intended consequences of transformation

Over the years, the impact of transformation has been well documented. Advocates, researchers, and providers have been tracking the progress of transformation and continue to report on it to support various collective advocacy efforts. Despite their various vantage points, all are saying the same thing: deep and unaddressed issues with transformation are leaving communities behind.

Key reports:

- Ontario Municipal Social Services Association (OMSSA): Income and Employment Services in Ontario March 2022 (2022)
- First Work has published many reports and briefs from the initial transformation years until now (2024)
- YMCA: Improving Employment Services Transformation: Sharing Insights and Recommendations from Ontario YMCAs (2024)
- Community Living Ontario and Ontario Disability Employment Network: Tangled in Red Tape (2024) and Still Tangled in Red Tape (2025)

- Maytree Foundation: Early signs of trouble: Findings from the third-party evaluation of Ontario's Employment Services Transformation (2024) and Underserved: Ontario's Integrated Employment Services system is failing those most in need (2025)
- Region of Waterloo: Service Transformation Strategy (2023)

"Hard to employ" people are falling through the cracks

Employment Ontario (EO) providers and poverty alleviation advocates are ringing the alarm on the new system. It has become harder for those experiencing multiple barriers to employment to access and receive services.

In a flawed pay-for performance model, those that are "harder to employ" are left behind as organizations are only rewarded for clients who retain employment for at least an average of 20 hours a week through the one-, three-, six-, nine-, and twelve-month touchpoints. Those left behind include, new immigrants, young people, women, people with disabilities, and people with complex needs such as those with mental health concerns and addictions, or those experiencing chronic unemployment, homelessness, and/or poverty. The situation is most acute for individuals who experience several of these barriers simultaneously, a factor that is not sufficiently addressed in the model.

Under the new model, standardization of services requires staff to take a one-size-fits all approach to all clients, preventing them from meeting the needs of individuals that require specialized and/or tailored support. For example, youth-specific programs were cut during transformation and not replaced in any specific streams. Similarly under new regulations, "job-stacking" or having multiple part-time jobs, does not count towards the 20 hour requirement[2], leaving youth using part-time work as a stepping stone to get into the labour force left behind. Youth clients are served alongside all other clients, leaving no room for targeted services that could result in better employment outcomes for them.

Staff face unnecessary hurdles that are taking away time from service delivery

Increased workloads, administrative burden, and inability to meet the needs of clients, are leading to high staff turnover, burnout, and demoralization.

Investigations have uncovered that to keep up with the new workload, a mock schedule suggests employees schedule back-to-back appointments in an 8-hour work day. According to First Work, there were signs as early as 2024 that the increased administrative burden was affecting staff's ability to adequately serve clients. Instead of focusing on the needs of clients and taking a client-centred approach, staff spend most of their time doing data collection and reporting. The

[2] As part of transformation a 20-hours of work per week program target was implemented, requiring clients to meet this threshold in order for an organization to receive pay-for-performance funding.

backbone of the sector, its staff, have struggled to adapt to these significant and difficult changes seeing many seeking to leave the sector altogether.

Providers continue to be under-resourced, and now even more so, in the new system

Providers are highlighting how under the new system, funding has decreased alongside drastic drops in revenue, making it increasingly difficult to keep pace with increasing and more complex demand.

Providers report on the vicious cycle created by underfunding. Chronic understaffing makes it nearly impossible to meet the requirements needed to obtain the performance-related funding necessary to support their work. This also means staff are unable to properly provide quality and specialized services to clients, meaning the support some clients require to maintain employment simply is not possible to provide.

The 2024 Community Living Ontario report notes that despite the drastic increase in caseloads front-line staff are required to manage, the funding that should accompany them has considerably decreased. Without sustainable levels of funding, it is difficult to keep up with the work, maintain staff, and provide quality services, resulting in services becoming overall less effective. Expecting nonprofits to do more with less is not new, and in this case the effects of this land squarely on those seeking employment.

Transformation has left Ontarians with a broken system, when it is needed the most

A good employment and training system should be flexible and adaptable given how vulnerable the job market is to the economic context. If the E&T sector struggles to serve those that experience multiple barriers to finding and keeping employment, or anyone needing to find work for that matter, then the system is not functioning to its full potential.

Unfortunately that is the case right now. For example, youth (ages 15-24 years) unemployment in the Greater Toronto Area has risen significantly, from 8.8 per cent to 9.9 per cent between January 2025 and August 2025. In comparison, general unemployment in Canada averaged 6.8 per cent between January 2025 and August 2025, after averaging 6.4 per cent in 2024. A functioning sector would be able to adapt and respond to the growing youth unemployment crisis, instead E&T continues to struggle to support youth in Toronto, only exacerbating the problem further.

What have we learned from the E&T transformation

Transformation that focuses on centreing and meeting clients needs while also supporting staff delivering services in public and nonprofit organizations, has real potential for deep change. But transformation that cuts funding, sets arbitrary targets, and fails to meet the diverse needs of clients is not only a threat to the E&T sector, other care systems, but also a threat to community well-being.

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To redesign a service without meaningful input from the clients that use it and the workers who allow it to function, consequently sets up the system to fail. When transformations of this kind are announced, the sector must be at the table as a critical partner in redesign, from the outset and throughout implementation, not just one interest-holder to be consulted with at one moment in time. Can nonprofits seed the relationships, expertise, and skills required to do this, now?

As E&T services exist today, they appear to be working hard but hardly working. It fails to streamline service, work better for those on social assistance, and support Ontario workers. The fragmented system has sparked many collective advocacy efforts across various interest-holders, underscoring urgency in combatting system shortfalls.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders and other stakeholders.

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