

Chapter 3

Section 3.08

Ministry of Training, Colleges and Universities

Employment and Training Division

Background

The Employment and Training Division (Division) of the Ministry of Training, Colleges and Universities (Ministry) and its network of service providers offer training programs and services designed to help meet the demand for skilled labour; to prepare unemployed Ontarians to enter or re-enter the workforce; to help students find summer employment; and to assist workers facing business closures or other significant workforce adjustments.

Since the signing of the Labour Market Development Agreement with Canada in November 2005, the Division has been working to integrate employment and training services formerly provided by the federal government. Under the agreement, which became effective on January 1, 2007, the Ministry became responsible for administering several federal programs that together are referred to as Ontario Employment Benefits and Support Measures (EBSMs). There are several EBSM programs designed to help individuals eligible for Employment Insurance (EI) benefits or unemployed individuals. As these programs are consistent with Part II benefits of the *Employment Insurance Act*, funding for them comes from the EI fund.

Canada provided more than \$529 million for these programs in the 2007/08 fiscal year as well as \$53 million for administrative costs, including

salary and benefit costs for the over 500 staff that were transferred to the Ministry. It also committed to provide \$25 million over three years to develop new information systems to support delivery of the transferred programs. A number of agreements with third-party service delivery agents and a legacy information system were also transferred.

EBSM program expenditures for the first fiscal year of the agreement are shown in Figure 1.

Figure 1: Ontario EBSM Expenditures, 2007/08
(\$ million)

Source of data: Ministry of Training, Colleges and Universities

Program	Expenditures
Employment Assistance Services ¹	214.6
Skills Development ²	162.7
Self-Employment Benefit ²	64.3
Federal Apprenticeship Training—In-school	31.9
Targeted Wage Subsidy	19.3
Job Creation Partnerships ²	14.7
Federal Non-Apprenticeship Training	12.9
Labour Market Partnerships ¹	7.1
Targeted Earnings Supplement	1.4
Research and Innovation ¹	0.3
Subtotal	529.2
administrative costs ³	55.8
Total	585.0

1. support measure

2. employment benefit program

3. Only \$53 million of these costs were reimbursed by the federal government.

These programs are to be integrated with the Division's existing employment and training programs, which are available to all clients whether or not they are eligible for EI, to provide integrated and improved labour market services for Ontarians and a rapid re-employment system. The goal is to provide a one-stop training and employment system to better serve apprentices, immigrants, unemployed individuals, and youth in transition from school to work. This integrated network is referred to as Employment Ontario. Expenditures on existing programs for the 2007/08 fiscal year are shown in Figure 2.

The Division now spends more than \$900 million annually on Employment Ontario programs and services, which are delivered through a network of field offices and some 1,200 third-party service providers including community colleges, school boards, private career colleges, union training centres, and not-for-profit agencies.

Audit Objective and Scope

With the signing of the Labour Market Development Agreement (LMDA) with Canada and the resulting transfer of funding, programs, and staff effective January 1, 2007, the Ministry has been implementing significant organizational, process, and system changes to the way employment training and labour market programs are delivered in the province. Our audit therefore focused on two pre-existing ministry programs—Apprenticeship Training, and Literacy and Basic Skills—and two former federal programs—the Skills Development Program and the Self-Employment Benefit Program—which had not changed but may change in the future as programs and services become more integrated. Altogether these programs represent \$412 million or about 48% of the Employment and Training Division's expenditures.

Figure 2: Ontario Employment and Training Program Expenditures, 2007/08 (\$ million)

Source of data: Ministry of Training, Colleges and Universities

Program	Expenditures
Job Connect	132.8
Literacy and Basic Skills	80.9
Apprenticeship Programs*	72.1
Summer Jobs Services	25.7
Adjustment Advisory, Local Boards, and other	22.2
Total	333.7

* Includes In-school Training, Ontario Youth Apprenticeship Program, Pre-apprenticeship, Co-op Diploma Program, Apprenticeship Innovation Fund, Loans for Tools, and other workplace training initiatives.

Our audit objective was to assess whether the Ministry had adequate systems, processes, and procedures in place for managing these programs to:

- ensure that services are being delivered in accordance with legislative and policy requirements;
- ensure that the Ministry and its delivery agencies are providing programs and services to clients in an economical and efficient manner; and
- measure and report whether the programs are meeting their objectives.

The scope of our audit work included reviews and analyses of ministry files, administrative directives, policies, and procedures, as well as interviews with ministry staff at the main office and at regional and field offices across the province. Our review of the Skills Development Program included visits to three of the four regional offices (Central, Eastern, and Western) and to one local office within each region (Hamilton, Ottawa, and the Toronto Skills Development Unit, including four local offices with the responsibility to monitor Skills Development clients). The three local offices visited delivered the program through 20 service providers. Our visits to the three regions and three local offices included an examination of a sample of client files. We also visited delivery agencies for the Self-Employment Benefit Program to examine files and other supporting documentation and to interview

staff. We also considered the recommendations that we made regarding the Apprenticeship and Literacy and Basic Skills Programs in our last audit of the Training and Employment Division in 2002.

Our audit followed the professional standards of the Canadian Institute of Chartered Accountants for assessing value for money and compliance. Having set objectives for what we wanted to achieve, we developed audit criteria that covered the key systems, policies, and procedures that should be in place and operating effectively. These criteria were discussed with and agreed to by senior management at the Ministry. We designed and conducted tests and procedures to address our audit objectives and criteria.

Summary

With respect to the two pre-existing ministry programs, Apprenticeship Training and Literacy and Basic Skills, we found that, although the Ministry has made improvements and been successful in increasing apprenticeship opportunities and registrations over the last several years, it has had less success in ensuring that apprentices successfully complete their training to meet the high demand for skilled labour. Research indicates that fewer than half of apprentices complete their training. Also, the Ministry needed to investigate why half of all apprentices fail to pass their final certification exams even though the majority pass the in-school portion of their training. Further work is also needed to reduce funding inequities among Literacy and Basic Skills service providers.

With respect to the two programs transferred from the federal government on January 1, 2007, that we examined, Skills Development and Self-Employment, we found that the Ministry needed to take further steps to ensure that these were delivered consistently and fairly across the province so that clients in similar circumstances would receive

similar services and levels of support regardless of where they live.

Our specific concerns with each program are the following:

Apprenticeship Training

- Expenditures on apprenticeship programs have increased 25% since our last audit in 2002, and the number of registered apprentices has more than doubled to 109,000. However, the Ministry did not have sufficient information on completion and employment rates and on the reasons why a high percentage of apprentices fail to complete their training and become certified.
- Training consultants at the field offices we visited were concerned about their inability to conduct more than a few, if any, monitoring visits to employers and in-class training providers to determine compliance with training contracts and service agreements. They stated that their overwhelming priority was meeting the apprenticeship registration targets, and that there was too much emphasis on getting people registered rather than increasing the number who successfully become certified.
- The Ministry did not have strategies to increase registrations in high-demand skilled trades. Most of the increase in apprenticeship registrations over the last several years has been in the expanding services sector, including call-centre and customer service trades.
- Trades that are restricted for workplace and public safety reasons require effective monitoring and enforcement to discourage uncertified individuals from working in the trade. Most of this enforcement responsibility has been delegated to Ministry of Labour workplace inspectors, who have increased enforcement activity since our last audit, particularly in the construction industry. However, the Ministry has not adequately coordinated its enforcement efforts with the Ministry of Labour and other ministries and agencies with

safety enforcement responsibilities to ensure effective enforcement in other sectors such as the motive power (vehicle and equipment servicing) trades.

Skills Development and Self-Employment Programs

- We found, and recent internal ministry reviews confirmed, inconsistencies in the way local offices decide how much support to provide. For the Self-Employment Program, decisions on which applicants to support are also inconsistent. Clients in similar financial circumstances may receive quite different amounts of support to pursue their training or start their business. Local offices were not getting clear guidance nor were they being monitored to ensure that their oversight processes were appropriate.
- Although we found some client training agreements in the Skills Development Program that cost the Ministry more than \$50,000 and were not necessarily in line with program objectives, we noted that recent measures introduced by the Ministry helped to reduce some of the inconsistencies and the number of high-cost agreements entered into. However, monitoring to ensure that participants successfully complete their training and comply with program requirements needed improvement.
- Under the Labour Market Development Agreement, the Ministry has committed to performance targets for the transferred programs, such as the number of Employment Insurance (EI) recipients returned to employment and savings to the EI account. However, information about the effectiveness of the programs was still insufficient, including information on whether clients remained employed in the fields they were trained for and whether self-employment clients were able to sustain their new businesses.

Literacy and Basic Skills

- The Ministry has made some progress since 2002 in reducing funding inequities among the service providers. However, we noted that many providers spent virtually all of their funding yet failed to deliver the approved service hours—in some cases significantly so. The Ministry needed to implement a funding model that recognizes learner outcomes and better matches funding to service levels provided.

OVERALL MINISTRY RESPONSE

The Ministry acknowledges the report as being balanced and welcomes the review and findings of the Auditor General. The recommendations will be used to improve the Ministry's business in terms of both work that is ongoing and work that will be undertaken in the future.

The Ministry understands the critical importance of knowledge and skills in meeting the aspirations of Ontarians and the needs of Ontario's employers. A skilled and highly educated workforce is a key economic advantage and enhances Ontario's position as a destination of choice for global investment.

The Ministry is developing a Knowledge and Skills Strategy—to provide the broad framework and targets to guide future ministry investments in education and training after high school—that includes postsecondary education, adult literacy, and skills training, including apprenticeship.

The Ministry is taking a key step to promote the skilled trades and modernize the apprenticeship system by introducing legislation in spring 2009 that, if passed, would implement a new College of Trades. The Ministry also agrees with the need to take action to ensure that apprentices successfully complete their training and is doing so.

Launched in November 2006, Employment Ontario (EO) is the province's integrated

employment and training network. The EO network delivers a wide range of services, including many recently transferred from the federal government, to people across Ontario to help them join or rejoin the workforce, improve their on-the-job skills, or move to better employment.

The Ministry is in the process of integrating and redesigning former federal and provincial programs. Since the transfer of federal programs, the focus has been on uninterrupted customer service delivery and business continuity. A new Employment Service Model has been designed, and the Ministry is looking to transform Ontario skills training.

Along with our extensive stakeholder consultations, the Ministry will use the Auditor General's report as a basis for moving forward with the transformation. The Ministry recognizes that some areas need to be strengthened, and the recommendations will help us to do so. These changes will help ensure that the EO transformation meets the needs of clients, the community, and our stakeholders.

for all other trades, which the acts call voluntary or non-restricted trades.

Apprenticeship is a work-based training model that combines on-the-job training (approximately 90%) with classroom training (approximately 10%). The length of an apprenticeship can range from two to five years, during which time the apprentice must typically complete at least three in-school training sessions.

Each apprentice signs either a registered training agreement or a contract of apprenticeship (depending on the trade) with an employer, requiring the employer to help the apprentice acquire both work experience and trade-specific competencies. Once a training agreement or contract is signed and filed with the Ministry, the apprentice is officially registered. A person who successfully completes the apprenticeship requirements receives a certificate of apprenticeship. For certain trades, the apprentice must also pass a trade-specific examination to obtain a certificate of qualification. Individuals who have completed all the requirements and acquired a certificate of qualification or certificate of apprenticeship (or both) as required for the particular trade are referred to as journeypersons.

The Ministry's 100 training consultants located in 26 field offices across the province provide services such as registering apprentices and consulting with the training providers and some 34,600 employers.

Detailed Audit Observations

APPRENTICESHIP PROGRAM

The Apprenticeship Program is governed by two acts. The *Trades Qualification and Apprenticeship Act (1990)* governs 33 construction sector trades, and the *Apprenticeship and Certification Act, 1998* governs trades in the industrial/manufacturing, motive power (vehicle and equipment servicing), and service sectors. Each act establishes specific requirements for apprenticeship completion and the roles of the Ministry and industry. Each act also stipulates that certain trades—known as compulsory or restricted trades—may be practised only by registered apprentices or individuals who hold a certificate of qualification. Certification is optional

Developments Since Our Last Audit

Over the last several years there has been a significant emphasis on increasing apprenticeship training opportunities as one means of addressing acute skill shortages in some sectors of the Ontario economy. Since 2001/02, ministry expenditures on apprenticeship training have increased by 25% from \$81 million to \$101 million. As of June 2008, the number of active trades has increased 12% from 136 (20 of which required mandatory certification) to 153 (21 of which require mandatory certification), and the number of registered apprentices has

more than doubled from 52,000 to 109,000. The government has committed to increase annual registrations by a further 25% to 32,500 by 2011/12.

The Ministry has also revised the training standards, curricula, and examinations for eight of the nine trades that were identified as seriously outdated in our *2002 Annual Report*.

Although progress has been made, there are still a number of areas where further progress is needed to ensure that apprenticeship training is effective at meeting labour market needs for skilled workers.

Tracking Completion Rates

As we stated in our last report in 2002, increasing the number of registered apprentices will not meet the demand for skilled workers unless apprentices complete their programs and acquire the training and skills needed by the labour market. Consequently, the Ministry needed information on apprenticeship completion and employment rates in relation to labour market demand. The Ministry agreed and committed to implement outcome-based performance measures by January 2004 and thereafter to report publicly on achievements, including apprenticeship completion and employment rates.

Although the Ministry did begin a project to determine how best to calculate and track completion rates for apprenticeship, the project was never completed. In 2005, the Ministry began implementing a continuous-improvement performance management system to strengthen the apprenticeship workplace training system. The key priorities and performance measures were to be apprentice registrations, completions, and customer satisfaction. However, to date the Ministry has publicly reported only on the number of annual apprenticeship registrations. It has not published any other meaningful performance information about the program.

In the absence of ministry data on apprentice completion rates in Ontario, we researched available data on completion rates both across Canada and Ontario produced by research organizations.

A 2005 study by the Centre for the Study of Living Standards reported that apprenticeship registrations had increased substantially over the past 25 years but the number of apprentices completing their programs had not grown proportionately, and in fact had declined. The centre reported that the completion rate across Canada in 2005 was 39%, down from 63% in 1982. It also reported that Ontario's 32% completion rate was the third lowest among the 10 provinces. In comparison, Manitoba's completion rate, the highest among the provinces, was 61%.

The report noted that these completion rates are far lower than the rates calculated for other post-secondary education. The construction and food and service trades sectors were found to have the lowest completion rates, at 31% and 34% respectively—notably, the carpenter, plasterer, roofer, painter, cook, and heavy equipment operator trades. The trades with the highest completion rates were industrial electrician, ironworker, industrial mechanic, and mobile crane operator.

Statistics Canada undertook two research projects, released in 2007 and 2008, to assess completion rates for apprentices who had registered in 1992 and in 1993 in three provinces: New Brunswick, Alberta, and Ontario. Using a different method of determining completion rates than the Centre for the Study of Living Standards, its study found that apprenticeship completion rates were 59% in Alberta, 50% in Ontario, and 47% in New Brunswick. It also found that construction trades had the lowest completion rate.

While it is important to track completion rates, it is just as important to determine why apprentices fail to complete their training and at what stage in their training they drop out. However, the last ministry survey of apprentices and journeypersons to determine why they had left the apprentice program before completing it was in 1997. The three most common reasons given were limited employment opportunities or employment instability, dislike of the work or trade followed by finding another job, and unsuitable training.

In 2005, the Minister's Action Table on Apprenticeship was formed to bring together various stakeholders from across the apprenticeship system. The committee suggested several strategies for improving completion rates, including:

- ensuring that in-school training is relevant, current, and of appropriate duration;
- ensuring that examinations are appropriate;
- improving the tracking and monitoring of apprentices as they progress through their programs, and providing supports such as counselling and extra training, where needed; and
- implementing a program to help employers be good trainers and to improve the connections between workplace and in-school training content.

Despite the progress it has made in increasing apprenticeship registrations, the Ministry is not yet systematically collecting the information that it needs to increase the effectiveness of the apprenticeship system: who is attracted to particular trades; factors that contribute to successful completion of apprenticeship programs; how apprentices fare once they finish their training; and which trades have low completion rates, and why.

RECOMMENDATION 1

To better ensure that apprentices complete their training and contribute to meeting labour market demand for skilled workers, the Ministry of Training, Colleges and Universities should:

- measure and track apprentice completion and employment rates using methods that permit comparisons among trades and over time as well as benchmarking to other jurisdictions; and
- periodically assess the reasons for which apprentices fail to complete their training and develop strategies to address the reasons identified.

MINISTRY RESPONSE

We agree with the recommendation. The Ministry has taken action to increase apprenticeship completion rates, including delivering certification exams at last in-school period, offering pre-certification courses, and exploring extension of in-school duration. The government recently committed to increase apprenticeship completions in the 2008 Budget. The Ministry will identify a baseline and set completion targets with incremental increases based on continuous improvement.

We will use National Apprenticeship Survey results to identify reasons for non-completion and to shape interventions to address those reasons.

Monitoring Program Quality and Compliance

On-the-job Training

Effective monitoring of the quality of training provided by both employers and in-school training providers is critical to the program's success in meeting the demand for skilled labour. Timely and ongoing monitoring may also increase the likelihood that apprentices will complete their programs and obtain certification. In our *2002 Annual Report* we noted that the Ministry had not developed a policy on monitoring either in-school or workplace training. The Ministry still has not developed policies to provide direction to the training consultants, although consultants are required to monitor compliance with regulatory requirements.

In 2005, the Ministry reported that it was moving to improve the quality of apprenticeship training programs and accountability for apprenticeship training. Ministry training consultants were to monitor each training agreement between an employer and an apprentice to ensure that training provided on the job meets the industry standards set for each trade. Field offices were to

focus on registrations, consulting and counselling apprentices toward accreditation, and scheduling and monitoring on-the-job training. The Ministry also intended to measure client satisfaction with training consultants.

However, training consultants at the field offices we visited were concerned about their inability to conduct more than a few, if any, monitoring visits to employers and in-class training providers to determine compliance with the training contracts and service agreements. All training consultants we interviewed stated that their overwhelming priority was meeting the apprenticeship registration targets, and that there is too much emphasis on quantity and not quality.

Consultants were also concerned that increasing caseloads eliminated any time to work with existing apprentices or employers. Given that the number of training consultants has remained at 100 since our last audit while registration has risen, client caseloads have nearly doubled over the last few years and averaged about 900 to 1,000 apprentices per consultant. Consequently, it was largely up to the apprentices to complete their in-school training and contact their assigned consultant if they are having difficulties.

Many training consultants stated that they need ongoing communication with apprentices to motivate them to complete their programs, and that apprentices often complain of the long interval between visits. Reduced time for monitoring or contact with apprentices may be one reason for low completion rates.

The training consultants also stated that providing poor service to employers is detrimental to the program, especially in the non-restricted trades, as a result of the lower completion rates in these trades than in the restricted trades. With the reduced employer visits, the apprentices are now solely responsible to get the required training for completion of their training standard. Field staff believe that more frequent and more focused monitoring will also allow them to increase registrations

by visiting more work sites and more potential apprentices.

With little monitoring of employers, it is difficult to assess the quality of the training being received by apprentices. Training consultants commented that apprentices registered in trades under the *Apprenticeship and Certification Act, 1998* are required to complete the training standard, but the onus is on the employer to ensure that apprentices are able to complete all the training requirements. Apprentices generally do not attempt the trade examination until they have received employer approval on all the requirements in the training standard, because a significant amount of content tested in the examination is based on these requirements. However, judging by the low pass rate on the examinations, discussed below, the quality of on-the-job training being provided may be open to question.

In-school Training and Support for Exams

The Ministry funds 65 training providers (24 colleges and 41 union- or employer-sponsored training centres) to deliver the in-school portion of the apprenticeship program. The Ministry's training consultants are required to monitor the quality of classroom training relative to industry standards for each trade.

Although the training consultants review the results of individual apprentices on their client lists and may know anecdotally if there are any problems with a particular program or provider, the Ministry does not review the in-school pass rates by program and by training provider. Such a review may identify differences worthy of investigation either as potential problems or best practices.

For example, we noted that the overall pass rate was approximately 90% for all in-school programs during the past three fiscal years, ranging from 100% to as low as 65% at one college and 61% at one private training provider. Several private training providers reported nearly 100% pass rates for over 2,500 apprentices during this period.

However, over the last five years, the pass rate on the examination for certification of qualification was only about 50%. In the power line technician and refrigeration technician trades, for example, the in-school pass rate was almost 100% but the certification of qualification pass rate was only about 65%. There appears to be little correlation between success in school courses and success in the examination for the certificate of qualification. The Minister's Action Table on Apprenticeship also raised this issue and questioned whether the right things are being examined and whether the in-school programs are long enough to ensure success.

We also noted that Ontario apprentices have among the lowest pass rates in the country. For example, in examinations for skilled trades in which interprovincial examinations are given, Ontario had the second lowest pass rate among all provinces for three of the top five of these trades and the third lowest for the remaining two trades.

One reason for the significant difference in the over 90% pass rate for in-school training compared to the approximately 50% pass rate on the certificate of qualification exam could be that much of the material tested on the examination is based on the 90% of training that is provided on the job. Success therefore appears to depend more on the quality of that experience, which the Ministry has not been monitoring. We also understand that other provinces have introduced additional supports to help candidates pass the examination. For example, all other provinces provide longer in-school training for their apprentices. The Minister's Action Table on Apprenticeship recommended that the Ministry develop and implement courses to prepare individuals for certification. It also suggested that training consultants could gain insight from examination candidates who did particularly well and use it to help prepare their fellow apprentices for the examination.

The Industry Training Authority of British Columbia is responsible for apprenticeship in that province and conducts an annual survey of apprentices who completed their technical or in-school

training on the quality of their training. Survey results are published for selected programs. The BC authority also surveys apprentices who have completed the final year of their apprenticeship technical training on their workplace experiences and employment. Alberta also surveys apprenticeship graduates and reports biennially on their employment rates and satisfaction with their in-school and workplace training.

RECOMMENDATION 2

To better ensure the quality of training and support that apprentices receive in successfully completing their programs, the Ministry of Training, Colleges and Universities should:

- review its resource requirements in field offices and its caseloads to enable training consultants to conduct sufficient and timely site visits to employers and in-school training providers and to better support their apprentices;
- monitor in-school pass rates among programs and service providers and compare them to certification examination success rates, and investigate the reasons for significant differences;
- periodically survey apprentices about their satisfaction with the quality of in-school and on-the-job training and any additional supports they received from the Ministry; and
- research practices in other jurisdictions that have been effective in improving examination pass rates and implement the best practices identified.

MINISTRY RESPONSE

We agree with the recommendation. In response to the Armstrong Report on compulsory certification for trades (see Enforcement of Legislation on Restricted Trades section), the government of Ontario has announced its intent to create the College of Trades, which will contribute to

the modernization of the apprenticeship and certification system to make it more responsive to economic needs, enhance the quality of apprenticeship training, and expand the system. If passed by the Legislature, the College may collect data such as in-school pass rates, completion rates, and other apprenticeship data to support best practices.

The Ministry recently received approval to hire additional field staff to support apprenticeship, and recruitment is under way. The Ministry is also completing regional apprenticeship registration and completion strategies that will enable greater monitoring activity.

The Ministry is currently conducting an Apprenticeship business process review and overhaul. Streamlining administrative practices and maximizing use of the Apprenticeship Support Application will allow Employment and Training Consultants to focus on their role to ensure quality training and monitoring and increase completions.

We will continue to participate in the National Apprentice Survey and ensure that questions relating to apprentices' satisfaction are included.

We will expand the practice of offering certification exams at the last apprenticeship in-school period and introduce pre-certification exam courses based on lessons learned from other jurisdictions.

Addressing Skill Shortages

Increasing apprenticeship registrations to help address skill shortages has been a high priority for the Ministry over the last several years. According to the Ministry, between 2003/04 and 2007/08, total annual apprenticeship registrations increased from 19,000 to over 26,000, or by 37%; this represents an increase of 64% since our last audit in 2002.

A number of initiatives were taken to increase registrations, including expanding the number of apprenticeship trades. The Ministry has added 20 new apprenticeship trades over the past five years and now offers 153 apprenticeship trades in four sectors: construction, industrial, service, and motive power.

We reported in our *2002 Annual Report* that a common problem in many jurisdictions, including Ontario, was the difficulty of expanding the apprenticeship system beyond traditional trades, such as those in construction and the automotive sectors, into less traditional and faster growing occupations, such as those in business and commerce, the health sciences, natural sciences, and social sciences. In fact, the largest increase in registrations has been in the service trades, where registrations have increased by 55% in the past two years. Although this progress is encouraging, the results for some new trades have been mixed. For example, some of the increase has been in non-traditional areas including call-centre trades that were added in 2005/06. There were 8,300 registrations in three call-centre trades alone over the past three fiscal years. However, 30% of the apprentices cancelled in 2007/08 with the termination of a large training contract. Many training consultants we interviewed mentioned that employment in the call-centre trades is very volatile, with many apprentices quitting in the first six months of employment.

Expanding into these new trades has helped meet labour market needs in some areas, but has not addressed the skilled worker shortage that has been widely reported by many union and employer advocacy and stakeholder groups. Different organizations have identified skill shortages in a number of high-demand trades, including plumber, industrial and construction electrician, steamfitter, mason, sheet metal worker, electronic mechanic, and auto body repair person. In the last two years, registrations in the construction trades increased by 17% while both motive power and industrial trades had only very small increases.

We examined the registrations, certification, and in-school attendance results for all trades over the past three years. We noted that certain industrial trades are in significant decline. For example, registrations for mould maker have been declining. Registrations for general machinist have remained constant, but the number attending school and obtaining the certificate of apprenticeship or qualification has declined dramatically. In-school seat purchases have declined by almost 50% for the general machinist trades and by over 75% for mould makers.

RECOMMENDATION 3

To increase the effectiveness of the apprenticeship program in meeting the demand for skilled workers, the Ministry of Training, Colleges and Universities should develop strategies to attract apprentices to high-demand trades and to help them successfully complete their training.

MINISTRY RESPONSE

We agree with the recommendation. In response to the recommendations of the Compulsory Certification Review, the government intends to introduce legislation to establish a College of Trades. If passed by the Legislature, the College would promote careers in the skilled trades and ensure that apprentices are receiving appropriate training. The College will raise the status of trades and will be able to assemble appropriate data to identify high-demand trades.

Enforcement of Legislation on Restricted Trades

Under the *Trades Qualification and Apprenticeship Act* and the *Apprenticeship and Certification Act*, 21 trades in the construction, motive power, and service sectors have been designated as restricted to certified tradespersons or registered apprentices. Restricted trades include such occupations as auto-

motive technician and construction electrician. To ensure consumer protection and workplace safety, it is important that workers in such trades be properly qualified and trained.

Both Acts allow the Ministry to inspect workplaces to ensure that only qualified individuals are working in restricted trades. In 1993, the Ministry delegated enforcement of certificate requirements for 20 of these trades to the Ministry of Labour (MOL). Regulation 572/99 under the *Occupational Health and Safety Act* gives MOL inspectors the authority to determine whether the provisions of the two Acts respecting the restricted trades are being complied with. Ministry field staff indicated that over the past three years the MOL has increased its inspections, particularly at construction sites.

In August 2007, the Minister appointed Tim Armstrong, who had served as deputy minister at both the MOL and the former Ministry of Industry, Trade and Technology, to conduct a review of expanding compulsory certification for trades. His report, issued in April 2008, stated that requirements for compulsory certification will not be fully effective unless there are comprehensive enforcement mechanisms, accompanied by meaningful sanctions, to deter widespread contravention. One of the principal areas requiring enforcement is ensuring that the persons performing the work governed by the two Acts are properly qualified. He also reported that most stakeholders view enforcement as a major issue, and even with a substantial increase in the number of MOL inspectors, the number of work sites and their geographical extent make enforcement an enormous challenge.

According to the report by Tim Armstrong, MOL inspectors have issued 2,847 orders under Regulation 572/99 since 2004, primarily in the construction sector—945 of them to electrical contractors. The number of orders issued has increased steadily each year. The MOL was planning more province-wide enforcement in the electrical and demolition trades for summer 2008.

However, the training consultants commented that they seldom get referrals from MOL to register someone they identified working illegally in the motive power trades. During their own site visits to motive power shops, training consultants have found instances where unlicensed workers were doing restricted work illegally. They also indicated that effective enforcement in the motive trades is challenging because the work is often not concentrated in one job site and the industry has not advocated for increased enforcement activity, as the construction industry has.

The Ministry of Transportation (MTO) also has a role in ensuring public safety in the motive power industry through its responsibility for licensing businesses to issue vehicle safety certificates. For a business to be licensed as a Motor Vehicle Inspection Station and issue vehicle safety certificates, the issuer must be a licensed mechanic. Staff of the Ministry of Training, Colleges and Universities assume that MTO staff verify the status of the issuer before approving any Motor Vehicle Inspection Station, but had not obtained any information about the MTO's enforcement activities.

RECOMMENDATION 4

To reduce the extent of uncertified individuals working illegally in restricted trades, the Ministry of Training, Colleges and Universities should work with other ministries and bodies that have enforcement responsibilities in industries that require certification to share the plans for and results of enforcement activities and to develop a risk-based strategy for inspecting businesses and work sites in those industries.

MINISTRY RESPONSE

The Ministry participates in information-sharing with the Ministry of Labour (MOL) and is currently undertaking revisions to the agreement to improve MOL employees' access to the ministry data they need to enhance their enforcement

activities. The Ministry also works with the Ministry of Transportation on specific investigations as requested.

Apprenticeship Training Tax Credit

The government introduced the Apprenticeship Training Tax Credit (ATTC) in 2004 to encourage employers to hire apprentices in certain skilled trades. An employer is eligible for a maximum tax credit of \$5,000 per year to a maximum of \$15,000 for the first 36 months of the apprenticeship. In the 2008 Budget, the government extended the ATTC by four additional years to 2015.

Qualifying skilled trades are recommended by the Ministry, but final approval rests with the Ministry of Finance (MOF). The vast majority of eligible trades are in the motive power, construction, and industrial sectors. The government has made only eight of 38 service trades eligible for the tax credit, including all call-centre trades.

The Ministry has not yet obtained any current information from the MOF on the level of activity in each trade or trade sector. Such information would help identify which sectors or specific trades have shown interest in the tax credit and determine the reasons for little uptake by certain sectors or trades. Information from the MOF such as the postal codes of the employers claiming the tax credit, the types of trades, and the size of the employers may also be useful in performing the necessary analysis.

The Minister's Action Table on Apprenticeship suggested that to improve the program's effectiveness, the tax credit could be expanded to more trades and linked to program completion rather than just registration, to provide an incentive for employers to help apprentices complete their training.

The program has been in place for four years, and an evaluation of its effectiveness may be timely.

RECOMMENDATION 5

To ensure that the Apprenticeship Training Tax Credit (ATTC) is effective in helping to expand apprenticeship interest and opportunities and meet labour market needs, the Ministry of Training, Colleges and Universities should work with the Ministry of Finance to evaluate whether it is achieving the expected outcomes and whether improvements are needed to enhance its effectiveness.

MINISTRY RESPONSE

We will continue to work with the Ministry of Finance to develop an evaluation strategy for the ATTC and to recommend enhancements and modifications to the ATTC as appropriate.

The Ministry is currently revising apprenticeship registration forms and employer resource materials to help employers more easily access the ATTC.

ONTARIO SKILLS DEVELOPMENT PROGRAM

The Ontario Skills Development (SD) program provides assistance to unemployed individuals who are or have recently been eligible for Employment Insurance (EI) benefits and need marketable skills in order to re-enter the labour market.

The SD program is available to individuals who are defined as insured EI participants under Section 58 of the *Employment Insurance Act*. In addition, the decision to assist an insured participant financially is based on a mutually agreed-upon Return to Work Action Plan (RTWAP) that identifies a lack of marketable skills as the barrier to employment. The goal of the RTWAP is to return the client to employment as quickly as possible; therefore, the emphasis is on supporting skills training in occupations where there is a good prospect of obtaining sustainable employment. Financial assistance to eligible partici-

pants may include some or all of the following: basic living expenses; dependent care costs; disability costs; other personal supports and transportation; tuition; and books and other instructional costs. All funding provided is a negotiated amount between the applicant and the Ministry.

The process of referral to and approval for SD begins with a needs assessment done by an Ontario Employment Assistance Services (EAS) provider. The client then develops the RTWAP and determines what his or her occupational goal is with the assistance of the EAS Case Manager. The client's application to the Ministry is required to provide information with respect to the requested training, research on and comparisons of training institutions, a summary of labour market opportunities in the requested field of training, financial information including income and expenses, as well as other information.

The EAS Case Manager must indicate on the client's completed SD application whether he or she supports the client's referral to SD and must provide a rationale for that decision. The Ministry assesses the information in the SD application and in supporting documentation against the program requirements and seeks additional information if necessary. In deciding whether to support an SD application, the Ministry considers a number of factors, including whether:

- labour market information provided indicates that there is a reasonable opportunity for employment in the particular field;
- the training institution will provide the EI-eligible client with the training required to return to employment;
- the training represents the shortest route to employment (an assessment of the length of the course);
- the cost of training is reasonable relative to the cost at other institutions researched by the client;
- where applicable, the training institution and course are included among those that meet

the requirements of the *Private Career Colleges Act*; and

- the RTWAP and supporting documentation identify an employment barrier (a lack of marketable skills).

Once the Ministry decides to support an application, the client and the Ministry enter into an agreement. The Ministry is subsequently responsible for obtaining receipts from clients and verifying whether they have completed their course. The EAS provider is responsible for monitoring the RTWAP and for case managing the client until the RTWAP is completed and closed, at which time the provider is required to report the employment status results of the RTWAP.

Expenses in the SD program totalled approximately \$163 million (including \$155 million for regular SD clients and \$8 million for apprenticeship clients) in the 2007/08 fiscal year, to assist and/or support some 14,800 regular SD clients.

Our review of client files revealed that the vast majority at all three offices contained acceptable documentation demonstrating that there was a viable labour market for the approved clients to enter. Where clients were approved to attend private career colleges, in the vast majority of instances the institutions and courses they attended were registered and approved under the *Private Career Colleges Act*. We also observed that, for the most part, training costs were consistent with the costs posted on the Service Ontario website.

Nevertheless, we noted a number of areas where improvements were required to demonstrate the

success of the program, to ensure that clients are treated equitably, and to manage program costs. One of the regions visited had reviewed the SD program and found many inconsistencies in how local offices determine the amount of income support provided to clients; another region had recently made similar findings in its review. Furthermore, two regions had also recently reviewed SD client files to determine compliance with program requirements. Preliminary observations made by two local offices that we visited were similar to our own.

Outcome Monitoring and Reporting

Currently, the only activity and performance indicators in place are those established in the Canada-Ontario Labour Market Development Agreement (LMDA). For the 2007/08 fiscal year, Service Canada and the Ministry agreed on targets for the following performance indicators:

- the number of active EI claimants who have accessed benefits and measures;
- the number of EI clients returned to employment; and
- savings to the EI account.

The information system used for the SD program and all other Ontario EBSM programs is the federal Common System for Grants and Contributions (CSGC); the federal government reports results related to these targets. The targets and preliminary results for the 2007/08 fiscal year as provided by Service Canada are shown in Figure 3.

Figure 3: 2007/08 LMDA Annual Targets and Results for Ontario Benefits and Measures

Source of data: Ministry of Training, Colleges and Universities

Results Indicator	All EBSM Programs	
	Targets for 2007/08	Actual Results
# of active EI claimants who have accessed benefits and measures	83,546 ¹	82,943 ²
# of EI clients returned to employment	52,498 ¹	53,951 ²
savings to the Employment Insurance Account (\$)	204,500,000 ¹	220,060,476 ²

1. as per 2007/08 Ontario LMDA Annual Annex

2. as per preliminary federal government reports received by the Ministry

Neither the three regional offices nor the three local offices visited had received performance targets pertaining to the SD program or to any of the newly transferred former federal programs. Thus, regional and local offices did not have a benchmark against which to measure their performance. In addition, none of the three regions visited prepared performance reports for SD or received such reports from their local offices.

Discussions with staff at the three local offices visited revealed that while they tracked SD clients to varying degrees, none of them comprehensively tracked employment results and none received comprehensive information on clients' employment results from their EAS providers with which to gauge the success of the SD program. Client surveys to obtain such information had either not yet been done or had been tried but the response rate was relatively low.

In addition, staff we interviewed generally did not think that current performance indicators were sufficient to gauge the effectiveness of the SD program. Their suggestions for improved performance indicators included measuring:

- whether clients are employed full-time or part-time;
- whether clients are employed in the field for which they trained under the SD program or a related field;
- if clients continue to be employed after set time intervals; and
- the level of income that clients are earning.

Nevertheless, we did observe that in the LMDA the Ministry and Service Canada had agreed to develop qualitative performance measures, although we were told that this had not yet been done.

RECOMMENDATION 6

To better gauge the effectiveness of the Skills Development Program in training clients for sustainable employment, the Ministry of Training, Colleges and Universities should establish targets for each region based on performance

indicators that the Ministry has agreed to with Service Canada; track performance in relation to these targets; and develop and report on more informative performance indicators such as whether clients remain employed in the jobs they were trained for.

MINISTRY RESPONSE

We welcome the input as we move ahead with the transformation of Employment Ontario. Since the transfer of federal programs, there has been a focus on uninterrupted customer service delivery and business continuity.

Currently, the Ministry is in the process of implementing and transforming Employment Services and will next turn its attention to redesign of skills training. The Ministry will consider the measures noted in this recommendation while transforming Employment Ontario training services.

The Ministry is also managing a project that will result in the publishing of performance indicators for private career colleges.

Monitoring Program Delivery

Client/Applicant Complaints and Appeals

None of the three regional or three local offices visited had a formal complaints or appeals process in place for SD applicants and clients, and none kept a log identifying complaints and how they were discharged. Such a log could be a valuable source of information on client satisfaction and program consistency. It was indicated to us that in the vast majority of cases where a client complains or wants to appeal a rejected application, the first point of contact for the complaint is the individual who rejected the client. This could raise questions regarding the fairness and objectivity of the process.

Application Rejection Rates

One way of monitoring whether offices are applying eligibility criteria consistently is to track application rejection rates. While all three local offices visited tracked their SD application rejections to varying degrees, the offices either had not compared their rejection rates to those of other offices, or had done so only informally. Such a comparison was also not done regionally or provincially to determine if there are significant discrepancies between local offices within regions or between regions, and the reasons for any significant discrepancies.

A high rejection rate results in a significant draw on staff time. The application rejection rate at the three offices visited varied significantly: at one office it was just under 10% for the calendar year 2007/08; at another, it was approximately 36% between May 2007 and March 2008; and at the third office, the rate was 33% between October and December 2007 but fell to approximately 19% in February and March 2008 and continued to drop after that time. While two of the three regions visited had undertaken an analysis of SD client files to assess their consistency with program requirements, none of the three local offices visited had sufficiently analyzed its rejected client files to determine if the rejections were appropriate. However, the local office with the rejection rate of 36% planned to do such a review covering a short period of time.

During our office visits, we noted that one reason for differences in rejection rates could be that one office used a comparatively narrow definition for determining whether an individual possesses marketable skills. This may have increased rejection rates relative to other offices that, for example, support applicants to move from a history of unskilled, low-paying jobs to more sustainable employment.

Compliance with Program Requirements

Obtaining Receipts for Training Costs

The SD guidelines require that receipts be obtained for tuition, books, and big-ticket items, including

those applicable to clients' contribution toward their training. In addition, the SD guidelines require that subsequent lump sum payments for these expenses should not be made until confirmation or receipts have been received for prior lump sum payments.

Two of the three local offices visited indicated that they were ensuring that receipts were obtained and expected Employment Training Consultants (ETCs) to be aware of when the next lump sum payment was due and to ensure that applicable receipts had been obtained before the next lump sum payments were made. The third office indicated that it had not actively attempted to follow these practices until fall 2007. All three offices noted that if clients failed to provide receipts and the local office exhausted its follow-up procedures to obtain receipts, the clients would be terminated and an overpayment established. Our review of files in each office yielded mixed results, with two doing a fairly good job of obtaining supporting receipts. However, receipts were sometimes obtained after lump sum payments had been made.

None of the three local offices visited was tracking its rate of compliance in collecting receipts; however, one office had transferred the responsibility to monitor client files to four other local offices, and one of those offices was recording its rate of compliance in collecting receipts. This office noted that in 62% of the cases it sampled, receipts for tuition, books, and other instructional costs were not on file and follow-up procedures had not been undertaken. The office indicated that it planned to continue with such tests until the rate of compliance was satisfactory.

Confirmation of Course Completion

Local offices are expected to confirm whether the client has completed the SD training course before closing a client file. However, the method of confirmation (whether verbally or by presenting supporting documentation, for example) is not prescribed. According to staff, the confirmation is intended to ensure that the client has completed the course but

not that the client has successfully completed the course.

Our interviews and review of client files at local offices indicated that two of the offices were generally not confirming course completion. These findings were consistent with the results of internal file reviews conducted by these offices. The third office began to actively confirm course completion in fall 2007. With the exception of the one office that had obtained survey results on a sample of its clients, the local offices we visited did not have a sense of the rate at which their SD clients were completing their training.

Determination of Client Eligibility

Assessment of Client-provided Financial Information

Applicants requesting financial assistance in addition to EI benefits are required to complete a Budget Worksheet that requests financial information such as gross monthly household income, other anticipated sources of funding (such as savings, student loans, and investment income), and monthly expenses (including basic living expenses, costs incremental to training, and other costs). Financial information provided by clients is used for determining (among other things) the amount of financial assistance they receive, the expected applicant contribution to training, and, to some extent, eligibility for the SD program.

All three local offices visited indicated that no direction had been provided to them on how to assess the reasonableness of financial information provided by applicants and said that such training would be useful. We were also informed that in general, Employment Training Consultants (ETCs) do not ask for supporting documentation to verify a client's financial situation, and our review of client files confirmed this. Staff at one of the offices noted that it was their understanding that they were prohibited from requesting supporting documents to substantiate client-provided financial information, even though the SD guidelines state that "Programs

Officers may ask clients to supply any pertinent substantiating documentation they deem necessary to assist in their assessment of Ontario SD applications when determining the amount of financial support which Ontario will provide."

Generally, the only financial information that was verified at all three offices was the client's EI benefits, which were identified as part of a check for program eligibility. However, at one office, a significant number of files we examined contained notes of discussions with clients regarding the reasonableness of at least some of the financial information they submitted. We observed several client files at each of the three local offices where financial information provided ought to have been questioned but there was no indication that it had been. In most cases, clients did not report any savings, even when their household income was significant. In one case, the gross monthly income was almost \$10,000 but no savings were reported. Another client reported mortgage costs of almost \$3,000 per month, but again, this did not appear to have been questioned.

Determination and Provision of Support Amounts

Basic Living Allowance

SD clients may be eligible to receive a basic living allowance while attending training. The SD guidelines state that while costs such as credit card payments, car loans, and recreation/entertainment costs should be taken into consideration when determining if an individual is in a financial position to attend training, they should not be considered in the amount of financial assistance that Ontario would contribute. The amount of the basic living allowance was capped at \$423 per week. The combination of basic living allowance and EI benefits cannot exceed the maximum weekly EI rate.

We were told that the intent of the program guidelines is that the only costs eligible for funding with the basic living allowance are for basic living costs such as food, clothing, shelter, and utilities

(water, heat, telephone, and hydro). However, because of an inconsistency in the Ministry's guidelines, this interpretation was not being followed consistently at the three local offices we visited. Consequently, their methods of determining the basic living allowance differed. Two offices indicated that, for low income clients, they generally based their decisions on gross household income without regard to expenses. The third office did not have a specific policy, and the determination of a client's basic living allowance was left to the ETC's discretion within the Ministry's guidelines for negotiating financial assistance.

In July 2007, the Ministry issued additional guidance that included instructions for negotiating assistance for low-income clients, but even these did not clearly communicate the intention that only basic living costs should be funded with a basic living allowance. Although offices we visited changed their practices in response to the additional guidance, we still found inconsistencies between them.

Our own observations from a review of client files at the three local offices revealed that, where clients received a basic living allowance, in a significant number of instances at two local offices and in the majority of instances at the other office, at least part what they received was for costs other than basic living costs. Although most of these pertained to applications approved before the additional guidance was provided in July 2007, some were approved after that date.

We also observed instances at all three local offices visited where the basic living allowance that was provided, although it did not exceed the client's basic living costs, appeared excessive on the basis of the client's financial situation.

Client Contributions to Training

SD clients are expected to contribute to the cost of their training as a demonstration of their commitment to the RTWAP. The expected contribution is based on their gross annualized household income and individual circumstances; however, an inability to contribute to training should not be a barrier to

participation. Ministry guidelines indicate what sources of income to include.

All three local offices visited noted that they expected their ETCs to obtain contributions from clients consistent with the Ministry's guidelines. However, all three offices indicated that the Ministry had not provided them with a consistent means with which to calculate household income.

We found a significant number of cases where either a contribution consistent with the Ministry's recommended levels was not obtained or no contribution was obtained even though the client's financial circumstances suggested that a contribution was possible. We also found instances where greater contributions to training were obtained than the clients' incomes would typically require.

Reviews by Regions

Two of the three regions and related local offices visited had recently undertaken a review of client files to determine the degree of compliance with SD program guidelines. The reviews primarily focused on determining that the required documentation had been obtained and was on file. Adequacy of the documentation was assessed to a more limited extent. These reviews identified similar inconsistencies in practices and several instances of non-compliance with program guidelines.

One of these two regions had also surveyed each of its local offices to identify program delivery issues and to make recommendations to address them. This survey also revealed differences in how offices decide how much support to provide, resulting in different treatment of clients in similar circumstances. Another region had recently reviewed the way its local offices determine the amount of income support to provide to clients and noted a number of inconsistencies, in part because the Guidelines for Negotiating Financial Assistance were not widely accepted by the offices. The third region also was concerned about inconsistent determination of basic living allowances among offices and was developing a means to address this to ensure consistency.

Given the significance of the observations made by these regional reviews and surveys, there is clear value in repeating such reviews periodically to more effectively monitor program delivery.

RECOMMENDATION 7

To better ensure that support decisions are being made consistently and fairly, the Ministry of Training, Colleges and Universities should:

- establish a formal and objective complaints and appeals process for clients;
- track and compare the denial rate for Skills Development applications and investigate the reasons for any significant differences and whether corrective action is needed;
- clarify program guidelines for determining basic living allowances and client contributions to training, and provide training to staff on reviewing the reasonableness of financial information provided by clients and on applying the guidelines appropriately; and
- establish a consistent province-wide oversight process to periodically assess compliance with program requirements and identify opportunities for improvement or further training.

MINISTRY RESPONSE

We welcome the input as we move ahead with the transformation of Employment Ontario. Since the transfer of federal programs, there has been a focus on uninterrupted customer service delivery and business continuity.

Currently, the Ministry is in the process of implementing and transforming Employment Services and will next turn its attention to redesign of skills training. The Ministry will consider the measures noted in this recommendation while transforming Employment Ontario training services.

Monitoring Program Costs

Very early in the 2007/08 fiscal year, the Ministry realized that it had already committed a significant amount of its 2007/08 Employment Benefits and Support Measures (EBSM) budget, and 48% of its SD Program budget. In response, the Ministry issued additional guidance in July 2007 in an effort to reduce inconsistencies in program delivery and ensure the availability of the program throughout the fiscal year.

All three regions visited and two of the three local offices visited indicated that they faced funding pressures in the SD Program in the 2007/08 fiscal year. All three regions noted that they took action to reduce costs consistent with the refined ministry guidelines. Opinions varied between regions on whether the funding pressures resulted in the denial of applicants who were otherwise eligible, although the local offices visited indicated that they did not reject applicants they would otherwise approve because of funding constraints. We did note, however, that for one region, the number of new agreements dropped by 27% in the period August 2007 to March 2008 relative to the period January to July 2007, as shown in Figure 4.

Offices do track their training agreement activity and costs, using reports generated by the Ministry, but any analysis or comparison to other offices has been largely informal. Our own analysis of ministry reports, as presented in Figures 4–6, revealed that:

- The Ministry's actions in July 2007 appear to have had a significant impact on program costs incurred from August 2007 to March 2008. Provincially, the cost of new agreements entered into during that eight-month period was 25% less than the cost of agreements entered into from January 2007, when the province began administering the program, to July 2007 when the measures to reduce inconsistencies and manage program costs were introduced. The decline in the regions we visited ranged from 15% to 38% (Figure 5).

Figure 4: Number of New Skills Development Agreements, January 1, 2007–March 31, 2008

Source of data: Ministry of Training, Colleges and Universities

Region	Jan-Jul/07	Aug/07–Mar/08	%	2007/08	
				Change	15-month Totals
central	3,980	2,911	-27	6,891	4,999
eastern	1,053	981	-7	2,034	1,412
western	2,306	2,117	-8	4,423	3,357
Province	8,279	7,420	-10	15,699	11,571

Figure 5: Cost Commitment for New Skills Development Agreements, January 1, 2007–March 31, 2008

Source of data: Ministry of Training, Colleges and Universities

Region	Jan-Jul/07 (\$ million)	Aug/07–Mar/08 (\$ million)	%	2007/08	
				Change	15-month Totals (\$ million)
central	54.7	34.1	-38	88.8	63.4
eastern	14.3	9.5	-34	23.8	15.5
western	27.3	23.1	-15	50.4	38.2
Province	108.1	81.5	-25	189.6	136.8

Figure 6: Average Cost Commitment per New Skills Development Agreement, January 1, 2007–March 31, 2008

Source of data: Ministry of Training, Colleges and Universities

Region	Jan-Jul/07 (\$)	Aug/07–Mar/08 (\$)	%	2007/08	
				Change	15-month Totals (\$)
central	13,755	11,721	-15	12,896	12,676
eastern	13,585	9,647	-29	11,686	11,001
western	11,839	10,932	-8	11,405	11,381
Province	13,059	10,981	-16	12,077	11,824

- Part of the cost reductions came from signing 10% fewer agreements and therefore helping fewer clients (Figure 4). Clarifying guidance on client suitability may also have contributed to this reduction. But more of the reductions (16%) came from a reduction in the average cost of new agreements signed after July 2007. The average cost dropped from about \$13,000 to \$11,000 (Figure 6). Once again, the impact in the regions we visited varied significantly. For example, Central Region showed a 27% decline in new agreements and a 15% decline in the average cost of these agreements. Conversely, Eastern Region entered into only 7% fewer agreements after July 2007, but the average cost of these new agreements declined 29%.
- Another impact of the measures is that there was less of a difference among regions in the average cost of agreements entered into in the second period. The average costs of agreements among the regions visited ranged from approximately \$11,800 to \$13,800, a difference of about \$2,000, in the first seven months of the program, but over the whole first 15 months the difference in costs between regional offices declined to about \$1,500.

Although there will always be legitimate reasons for cost variances among regions and local offices, analyzing and investigating these differences on an ongoing basis will assist managers at all levels to more effectively monitor program costs. It may also help identify areas where inconsistencies in program administration are contributing to the difference and action is therefore required.

RECOMMENDATION 8

In order to ensure that approved training costs are reasonable and equitable and that the Skills Development Program is available throughout the year, the Ministry of Training, Colleges and Universities should routinely assess the reasons for significant differences in cost among regional and local offices and whether action is required to reduce these differences.

MINISTRY RESPONSE

We agree with the recommendation and have begun to move in this direction. In June 2008, the Ministry prepared interim guidelines on how to assess course comparisons and also introduced a cap on Skills Development agreements. Both of these actions have significantly reduced the cost variations between regions/local offices.

Assessment of Training Options and Costs

As part of the application process, applicants are expected to research the training institution and course they wish to attend to achieve their occupational goal. All three local offices visited stated that they required applicants to compare the course they wish to attend to at least two other similar courses at other training institutions where possible. This comparison was to include course content, costs, and graduates' success in finding jobs.

Our review of SD client files identified that at all three local offices visited, the course selection pro-

cess was lacking in a significant number of cases. In many cases, the shortcoming was related to an incomplete comparison: either course content, costs, or graduate success in finding jobs were not identified and compared, or applicants did not compare the selected course to at least two other options where possible. In other cases, applicants selected a significantly more expensive course than the courses compared against, and there was no documentation noting that the reasonableness of the selection had been questioned before approval. In one case, the course cost approved was more than double the alternative presented.

Ministry staff at head office noted that it has not provided instructions to the regions and local offices on how to assess course comparisons, and specifically on what is a reasonable cost difference or how to assess content and graduate success in obtaining employment.

Expensive Training Interventions

Although they were not typical of the agreements we reviewed, we did observe cases at all three local offices visited where the labour market information in support of training was acceptable, but labour market information showed that clients could have been supported in less costly and shorter interventions than the long or expensive training courses they were approved for. Such approvals are not necessarily congruent with the Ministry's goal of returning clients to employment as quickly as possible, and the rationale for them was not well documented.

Examples include the following:

- In at least two instances, clients were approved for dental hygienist programs without considering less costly options such as dental assistant programs, even though in one instance total costs of the dental hygienist course were \$28,000 compared to only about \$12,000 for a dental assistant course. The dental hygienist course in this case was 72 weeks long, compared to 32 weeks for the

dental assistant course. Total training costs for this intervention were about \$57,000, of which approximately \$53,000 was to be covered by the Ministry, including nearly \$30,000 in living costs.

- A client was approved for a paralegal course without considering the option of legal assistant course, even though total cost of the paralegal course was \$13,900 and it lasted 52 weeks, while the same training provider offered a legal assistant course costing \$10,200 and lasting 36 weeks. Total training costs for this intervention were over \$28,000, covered entirely by the Ministry, including approximately \$14,500 in living costs.
- A client was approved for massage therapy training as a career change supported by a doctor's note indicating that the person could no longer work in the job previously held. The client had no previous background in massage therapy, which is one of the longest SD training programs, at 20 months, and costs \$21,100 in tuition. Although the total commitment was more than \$64,000, including living expenses, the actual cost was about \$40,000 because the client could not complete the training.

However, these expensive interventions were approved before additional guidance was provided in July 2007 to help reduce training commitments. Furthermore, the Ministry has since imposed a cap of \$28,000 on the cost of any training agreement, effective June 2008.

RECOMMENDATION 9

To better ensure that unemployed clients receive cost-effective training with good job prospects, the Ministry of Training, Colleges and Universities should:

- clarify expectations for assessing training options and costs and for documenting the results of that assessment before agreements are signed; and

- reinforce the expectation that files clearly indicate the rationale when more expensive training options are selected and approved.

MINISTRY RESPONSE

The Ministry will continue to refine the assessment process, which also will factor in client need and suitability. As this is a client-driven program, client needs and suitability for training are the key drivers in choosing a training course. Thus it is not ministry policy to only look at cost or course length.

The Ministry will continue to set expectations that client files clearly outline the rationale for the Skills Development course decision.

SELF-EMPLOYMENT BENEFIT PROGRAM

Through the Self-Employment Benefit (SEB) program, the Ministry provides financial assistance to eligible participants to help them start their own businesses. Participants include active EI claimants; individuals whose EI benefit period ended within the last 36 months; and individuals re-entering the labour force after having left it to care for newborn or newly adopted children and who were paid EI parental benefits within the last 60 months.

All participants in Ontario received the same flat rate of \$423 per week (EI Part I, Part II, or both). Total funding for the program in the 2007/08 fiscal year was \$64.3 million, excluding administrative costs. The number of clients for the 2007/08 fiscal year was approximately 3,800.

An application moves through the following steps before the Ministry approves a client for the program:

- The Ministry contracts a case manager at a local Employment Assistance Services (EAS) provider to assess the client and complete a Return to Work Action Plan (RTWAP).

- An SEB service provider prepares a letter supporting the client's application after subjecting the client's proposed business concept to an independent business review.
- Local ministry offices examine the client's application on the basis of the program's eligibility requirements, the letter of support for the business proposal, the impact on the local labour market, and the office's local business plan.

Local ministry offices have a contribution agreement with SEB service providers who provide technical and consultative expertise to assess client suitability and assist suitable participants in assessing their business concepts and in developing and implementing their business plans. Once the application is approved, ministry staff and the client sign a grant agreement that dictates the responsibilities of the client and the financial assistance to be provided by the Ministry. The SEB service provider delivers business training sessions and continues to assist the client to develop and carry out the business plan, while monitoring the client's business activities and reporting the results to the Ministry. The service provider must visit each place of business within the first three months of the business start date.

Ministry staff noted that they would not terminate a grant agreement because a business was not generating any revenue. Rather, a grant agreement is terminated if the client has violated the agreement. The Ministry may terminate an agreement with a participant who does not work the agreed-upon 35 hours per week to develop and implement the business plan; who does not follow directions given by the Ministry or the service provider; who does not have an acceptable business plan; who is later determined to be ineligible for the program; or who provides false or misleading information to the Ministry.

Four regions with a total of 64 local offices provide SEB services. Thirty-nine offices manage 60 contribution agreements with their service pro-

viders. We visited three local offices and reviewed three contribution agreements.

Program Delivery

While it has core requirements, SEB is a locally delivered program. Regional and local offices are therefore given great flexibility in determining how best to serve their diverse communities and labour markets. Most program delivery decisions are made at the local level.

We were informed that the Ministry's current relationship with the service providers derives from Service Canada, which administered the program before the Canada-Ontario LMDA transferred it to Ontario as of January 1, 2007. This model avoids an employer-employee relationship. Funding is based on core required activities and services, and the service providers themselves determine how those services are delivered.

An internal ministry report on the program noted that currently it has no standardized delivery model, results structure, client support components, or client suitability criteria. Our interviews at the regional and local ministry offices, as well as with service providers, support the report's comments. Beyond some standard required documents, procedures and practices are developed locally—for example, the service provider's accountability requirements vary in local contracts, resulting in inconsistent practices.

Participant Suitability

Ministry staff have noted that the RTWAP uses no standardized assessment tool to determine suitability and that the current SEB guidelines do not clearly define the criteria for eligible clients. As a result, criteria for SEB suitability are determined locally instead of being applied consistently across the province. The SEB guidelines were established by the federal government and transferred with the Canada-Ontario LMDA in 2007.

According to a recent internal ministry report, this inconsistency means that clients whose circumstances are identical but who apply in different ministry offices may have their approval for SEB decided differently. The report notes that this has led to client complaints that access to SEB is arbitrary and unfair. A consistent approach to client access would address these concerns.

The Ministry's regional and local offices and the service providers we visited had no formal complaints or appeals process for SEB applicants and clients. Nor did they keep logs of complaints and how they were resolved. We noted that few complaints were received at the ministry level, however, because the service provider was normally contacted first and in most cases resolved the dispute.

Adjusting Duration of Support to Encourage Success

The duration of a client's financial support is locally determined on the basis of delivery models and budget availability at the local ministry office. The maximum duration is 52 weeks (78 weeks for persons with disabilities). Two of the three local ministry offices we visited limit support to 40 weeks, and the third to 52 weeks. Staff opinion at the ministry offices was divided as to whether 40 weeks was too short a time for a business to become self-sufficient and whether 52 weeks funds for far too long businesses that will not succeed.

The recent internal ministry report noted that while most offices sign a single agreement with an approved client for 52 weeks, two offices approve their clients in phases. One office grants its clients an initial 13-week agreement, at the end of which it assesses whether the clients are on track with their business plans. If so, the clients are granted a 13-week extension. If not, the office works with the clients to identify adjustments in the business plans to put them back on track. This process is repeated at the six- and nine-month mark. The project officer feels that this system is a key component in ensur-

ing that clients remain on track toward successfully starting their businesses.

At the second office, clients at the business concept proposal (four weeks) and business concept assessment (one week) stages are not eligible for income support. If successful with this portion of the program, clients are then approved for a 31-week agreement. At the end of the 31-week agreement, clients are further assessed to determine if additional support is required and whether an extension will directly impact the success of the business. If yes, an extension of up to 20 weeks may be granted.

RECOMMENDATION 10

To ensure that all clients applying to the Self-Employment Benefit program are treated equitably and comply fairly and equally with program requirements, the Ministry of Training, Colleges and Universities should:

- standardize the criteria used to determine client suitability; and
- assess the different policies that offices follow regarding the duration of the support provided and encourage wider adoption of policies that are effective in helping clients succeed.

MINISTRY RESPONSE

The Ministry will work toward more clearly assessing client program need and standardizing suitability criteria to ensure consistent access across the province. Program need and client suitability involve consideration of elements such as the lack of marketable skills, barriers to employment, demonstrated need for the program, and best chance at success. As well, the duration of support provided will be reviewed and best practices identified. However, the Ministry recognizes that regional differences in providing support and intervention for clients exist due to the complexity of this issue.

Contract Administration by Service Providers

Evidence of Progress Monitoring and Support Provided

The Ministry requires clients to prepare a written business plan within 10 weeks of starting their training. When a participant exceeds the 10-week period, the service provider must notify the Ministry and a decision is made whether to continue to provide financial assistance to the participant. Virtually all clients entered in the program have their business plans approved with considerable assistance from the service providers.

The internal policy at all three service providers we visited was to conduct monthly meetings with the client, either at the service provider's office or at the client's business, once the business plan was implemented. All three service providers also required clients to provide the business adviser with financial information before the monthly meeting.

Our review of client files found that all three service providers received the required monthly documentation from clients on a timely basis. However, in many cases, service providers kept inadequate documentation of the monthly meetings. One service provider had four client files that were missing all the monthly meeting notes throughout the intervention period. In addition to providing monthly financial information, two service providers also asked clients for a narrative that included the tasks accomplished for the month and marketing and promotional activities undertaken. The remaining service provider requested only a monthly profit and loss statement. Without asking clients to describe their activities, it is difficult for advisers to determine whether clients are dedicating sufficient and appropriate effort to their businesses while receiving support. The service provider agreed that having clients document their business activities would also help business advisers tailor their advice to the clients' specific needs.

At one service provider, we found that no client files reviewed were sufficiently detailed or had

client meeting documentation indicating actions recommended and results. Even in the other providers' files we reviewed that contained detailed notes, there was no evidence that business advisers were developing action plans with their clients. At the two service providers that require clients to provide a monthly activity narrative, we found many examples where it was impossible to determine what was accomplished and what actions were planned.

As a result, it was often difficult to determine what advice and guidance clients had received, whether clients were working full-time on their businesses, and what action had been taken to increase sales. As well, it was evident that several clients' businesses were struggling, yet the files did not indicate what action was undertaken or advice given. For example:

- At an IT project management consultant service, total sales at the end of the program were nil, compared to forecast sales of \$52,800.
- At a desktop publishing company providing services in Arabic and English, sales at the end of the program totalled \$1,580, compared to forecast sales of \$20,500.
- At a yoga and health service for pregnant women, total sales at the end of the program were \$5,000, compared to forecast sales of \$19,000.
- At an event planning and audio production business, 11 months into the program sales totalled \$2,500, compared to forecast sales of \$35,000.
- A private practice using hypnosis to resolve obstacles to health and happiness had made sales of \$2,000 at the end of the program, compared to forecast sales of \$17,000. The service provider was concerned about efforts by the participant and requested the client's activity logs. We reviewed the logs and concluded that they lacked the detail required to determine whether the client was spending

35 hours per week on the business. No further action had been taken by the service provider.

Staff at both the ministry offices and the service providers agreed on the need for improvements in documentation for both business advisers and clients.

Site Visits and Additional Support

Service providers are expected to conduct client site visits to assess the progress of their clients' business operations within the first three months of the business start date. These site visits allow service providers to confirm the information provided by clients in their monthly progress reports, to ensure that the business sites are legal, and to identify potential problems for the future of the business. We found evidence at only one service provider that site visits were being completed. The other two service providers told us that they were making site visits but had failed to document their client meetings as site visits.

We found cases at all service providers visited where clients were earning low revenues throughout the intervention. In these cases, we would expect to see more frequent meetings, especially when the clients were nearing the end of the program and would no longer receive financial support to help continue their businesses. We found no evidence in these cases that business advisers had held additional client meetings. In addition, the service providers had not prepared an exit strategy to help prepare clients leaving the program to continue their businesses without SEB financial aid.

We noted as a best practice that one service provider offered a two-day marketing course for clients who were experiencing difficulties in generating sales for their businesses. Held in a group setting, this course is designed to explore different approaches and develop a sales action plan. Clients are selected for the course by the business advisers on the basis of a review of client files after 36 weeks.

RECOMMENDATION 11

To better ensure that program participants are successful in starting and maintaining viable businesses and are complying with program requirements, the Ministry of Training, Colleges and Universities should:

- require service providers to monitor their clients more closely and consistently; and
- establish expectations for what should be documented in meetings held with participants, including the nature of any concerns raised and advice and support given.

MINISTRY RESPONSE

We agree with the recommendation. We acknowledge that improving monitoring may help service providers improve tracking of client progress so they can adjust support accordingly. The Ministry will explore the possibility of standardizing general monitoring requirements or will work towards helping service providers improve their monitoring practices.

Service providers are funded to provide technical and consultative expertise to participants. While the extent of meeting documentation may demonstrate the quality of service, the Ministry will continue to set out detailed expectations to service providers.

Ministry Oversight of Service Providers

Performance Information

Local offices track the progress of service providers toward meeting their contracted activity levels. The local offices we visited receive monthly activity reports from service providers that include information on the number of clients attending information sessions and number of applications received, and on the number of clients starting the program, completing training, completing business plans, and completing the program. Local offices

have access to service providers' activity systems and to client files.

However, none of the regions visited have received information to date from the Ministry or local offices on the number of clients who become successfully self-employed. They also do not receive performance information on the service providers to determine whether they are meeting their contractual targets. Furthermore, none of the regions visited had undertaken a regional analysis to ascertain the degree to which the program is administered in accordance with provincial requirements and whether the program is administered consistently between local offices.

Also, none of the regions visited had surveyed clients across the region to inquire whether they were self-employed, or if clients were generally satisfied with the program. Local ministry offices visited do not survey their clients to determine whether they are still self-employed at specified intervals (for example, six months after completing the program), the number of hours they dedicate to their businesses each week, and average weekly gross sales. Rather, the Ministry's local offices determine through their contracts with the service providers the type and extent of client surveys to be conducted. Requirements varied for the offices visited but generally involved a 12-week follow-up survey that asked clients about the status of their business. After reviewing the 12-week follow-up survey results at one service provider, we determined that they are not meaningful for any performance analysis, nor was the service provider required to submit this information to the ministry office.

Service Provider Delivery Costs

None of the regions visited had attempted to identify reasons for significant differences in per client costs among service providers. We obtained a report from the Ministry that contained per client costs, and to verify its accuracy we requested the regions we visited to submit all SEB contracts. We found a number of discrepancies between the Min-

istry's report and the service providers' contracts. Figure 7 shows our calculation of costs based on actual contract numbers. It indicates that per client cost disparities were significant within each region: Central Region costs ranged from \$1,347 per client to \$5,923; costs in the Eastern Region ranged from \$1,295 per client to \$3,420; and Western Region costs ranged from \$931 per client to \$7,713.

Such significant differences should be reviewed and considered as service provider contracts come up for renewal.

Service Provider Contract Monitoring

To accommodate the transition of the SEB program from federal to provincial jurisdiction without any interruption in services provided, the Ministry has given local offices the authority to extend service provider contracts as long as there are no serious performance issues. Ministry staff are responsible for monitoring the contracts between the Ministry and service providers.

We reviewed the monitoring of the contracts of the three service providers we visited and noted that all three were being monitored, but at a very high level. The focus was on ways to ensure that targets are met, such as for the number of individuals submitting applications and the number of applicants entering training. Ministry staff informed us that the policy is hands-off management because, under the federal direction of the program, there was to be no appearance of an employer-employee relationship. Service providers are contracted to perform specific functions, and

Figure 7: SEB Program Costs and Client Volumes

Source of data: Ministry of Training, Colleges and Universities

Region	Average Cost/Client (Low) (\$)	Average Cost/Client (High) (\$)	Client Volume Target
central	1,347	5,923	3,912
eastern	1,295	3,420	2,133
western	931	7,713	2,698

Note: figures are based on both new and carryover clients

unless problems arise, the Ministry does not monitor individual client files.

RECOMMENDATION 12

To better ensure that service providers comply with their contracts and that program objectives are achieved in a cost-effective manner, the Ministry of Training, Colleges and Universities should:

- conduct periodic risk-based contract monitoring visits that focus on the quality of services provided as well as compliance with program requirements;
- develop and implement a more comprehensive and informative set of outcome-based performance measures, such as the number and percentage of clients who become successfully self-employed; and
- analyze service provider costs on a per client basis to identify the reasons for significant discrepancies in order to improve service efficiency and identify best practices for sharing among service providers and ministry offices.

MINISTRY RESPONSE

We agree with the recommendation. The guidelines on accountability requirements will continue to be communicated to local offices and service providers to ensure that results are reported.

To ensure that service providers are accountable for the quality of their services, the Ministry will work towards developing and implementing a more comprehensive set of outcome-based performance measures, including clearly defining self-employment.

The Ministry agrees in principle, however, that there may be differences in the cost per client for service provider contribution agreements. The Ministry will review and analyze service provider costs per client and the factors that contribute to these costs in order to improve service efficiency.

LITERACY AND BASIC SKILLS PROGRAM

The most recent *International Adult Literacy and Skills Survey*, conducted in 2003, found that Ontario's literacy level had remained the same since 1994, but that there had been a significant decline in the number of Ontarians functioning at the highest levels of literacy. Approximately 20% of Ontario's adults did not have the basic literacy skills to meet workplace and daily living requirements. Average literacy in Ontario is at the Canadian average.

The Literacy and Basic Skills (LBS) Program supports and funds some 200 literacy agencies, including not-for-profit community groups, school boards, and colleges, providing information and referral, assessment, training-plan development, intensive training, and follow-up services at some 285 sites across the province. Service delivery agencies are divided into four streams, depending on the client group being served: anglophone, francophone, deaf, and Native. Anglophone agencies serve the vast majority of clients. The Ministry provides approximately \$55 million annually for service delivery and approximately \$5 million for research and development. Annual operating funding has remained about the same since 2001/02. Therefore, the Ministry has reduced the number of target service hours to be delivered, from 6.7 million to 5.6 million—a decrease of approximately 16%. Some of this reduction may be the result of efforts by the Ministry to standardize and monitor the way service providers count their contact hours.

In its 2004 Budget, the government announced a \$2 million Academic Upgrading component of the LBS Program to improve access to post-secondary education, training, employment, or independence. In 2007/08, funding for academic upgrading was increased to \$15 million, which was provided primarily to community colleges.

The LBS Program focuses on adults who are unemployed, with special emphasis on those receiving social assistance. To be eligible for services, a person must be at least 19 years old, out of school, and assessed as lacking the literacy skills necessary

to find and keep employment or meet everyday needs. Learners must be able to demonstrate progress by completing exercises related to their goals. Approximately 30% of those receiving LBS services were Ontario Works recipients.

Tracking and Reporting Participant Outcomes

Information about outcomes is essential for the Ministry to demonstrate whether the delivery agencies and the program overall are achieving the intended results and to link funding decisions to those results. LBS agencies are required to record every client's status at exit, a reason for leaving the program, and every learner's satisfaction rate, and to report these to the Ministry. The Ministry uses a performance measure for tracking outcomes for participants: the percentage who obtain employment or go on to further education or training upon completing or leaving the program. The benchmark is 70%. The benchmark for the learner satisfaction rate is 85%.

Using results reported by the agencies, the Ministry reported in 2006/07 and 2007/08 that the number of learners exiting was approximately 21,100 and 19,900 respectively, with a 67% positive outcome rate in both years. The learner satisfaction rate reported by the Ministry in 2006/07 and 2007/08 was 92% and 93% respectively, although we noted that in both years approximately 7,000 clients, or 33% of those who exited the program, had not been surveyed as required.

We reviewed the reported activity at a sample of sites for 2004/05 to 2006/07 to determine if any continually do not meet the ministry benchmark of 70% positive outcomes. Over the three-year period, 35% of these sites failed to achieve the 70% benchmark.

Figure 8 shows the information reported on the status of clients at exit for the past two fiscal years. Approximately 50% of exiting clients had not completed the program. However, the Ministry reported 67% of exiting clients to have a positive

Figure 8: Reasons for Leaving the LBS Program, 2006/07 and 2007/08 (% of Clients)

Source of data: Ministry of Training, Colleges and Universities

	2006/07	2007/08
LBS goals attained	46	50
left after assessment	14	11
agency-initiated	10	10
learner-initiated	30	29

outcome of employment or further education or training. Therefore, clients can be reported as having a positive outcome without entering or completing the program. Reporting learner outcomes in conjunction with the status of clients at exit would better reflect the impact on clients of the length and type of service received. This in turn could help the Ministry evaluate the program's effectiveness for clients who complete the program, for those who leave before attaining their program goals, and for those who leave after an assessment.

Agencies are required to contact all learners who attained their LBS goals at three months after they leave the program in order to document their status. However, the Ministry does not report these results; therefore, it is difficult to determine if learners are making steady progress to employment or to further education or training.

As well, the Ministry was unable to track the length of time clients stayed in the program. We were informed that some clients require several years to complete their goals. Approximately 21,000 new learners enter the program annually, while a relatively constant number of approximately 19,500 carry over from previous years. A program requirement is that learners must progress at an acceptable rate to remain in the program. We identified one site where learners had spent over seven years in the LBS program. Data on length of participation in the program combined with other information, such as client profiles would help the Ministry identify trends useful for holding service providers accountable, implementing corrective action, and helping participants reach their goals within a reasonable time.

Program Funding

LBS Services

We recommended in our *2002 Annual Report* that the Ministry implement an equitable funding model that recognizes whether delivery agencies have been successful in helping their clients achieve positive outcomes. The Ministry undertook a funding review, starting in late 2002, which recognized that agencies delivering similar services to learners with similar needs received widely divergent levels of funding. An initial recommendation for making major shifts in funding across the province was rejected. It was decided to continue with the current approach and to make small shifts as funding became available when agencies closed.

A second option was then recommended that focused on efficiency, requiring agencies to provide a minimum level of service within an acceptable cost per hour range. The goal was to move all sites in each stream closer to the average level of funding per contact hour (the total time that an agency spends delivering services). The Ministry did not want to reduce the funding for any site but instead to increase the amount of service provided by agencies by encouraging them to be more cost-effective. For example, the Ministry identified the anglophone stream average as \$9.50 per hour in 2005/06, and agencies were expected to move toward that target.

Since 2005/06, the Ministry has essentially followed a “status quo” approach that retains the inequities in the target hours and allocated funding that existed when the targets were established. As a result, the target cost per hour for similarly sized sites varied significantly in 2006/07. For example, we found that:

- Agency A was funded at \$783,000 to provide 81,000 hours at a cost of \$9.68 per hour, while Agency B was funded at \$745,000 to provide 109,000 hours at a cost of \$6.80 per hour.
- Agency C was funded at \$225,000 to provide 25,780 hours at a cost of \$8.76 per hour, while

Agency D was funded at \$143,000 to provide 25,400 hours at a cost of \$5.63 per hour.

- Agency E was funded at \$175,000 to provide 13,500 hours at a cost of \$12.93 per hour, while Agency F was funded at \$75,000 to provide 13,400 hours at a cost of \$5.60 per hour.

We noted similar inequities in the academic upgrading funding that service providers received. We found target costs per hour that ranged from \$5.90 to \$13.54 per hour for the sites sampled.

Ministry policy is to link funding levels to performance and outputs, but funding is not responsive to changes in activity levels either in total or at individual agencies. Over the past three fiscal years, agencies have provided only about 88% of their approved contact hours, although they have spent 98% of their funding. In 2007/08, agencies planned to provide 5.63 million contact hours for the \$56 million in funding they were allocated, but they actually provided 4.9 million hours for the \$55 million they spent. Consequently, while the approved cost per contact hour was \$9.95 on the basis of funding allocated, the actual cost per contract hour was \$11.22, about 13% higher than planned.

The Ministry has stated that no funding adjustments will be made unless there is a significant discrepancy in the cost per contact hour. We reviewed the funding and reported activity for a sample of sites for 2005/06 and 2006/07. We noted that 40% of these sites provided only between 50% and 88% of the approved target contact hours, yet all of them spent virtually all the funds provided by the Ministry.

The Ministry has said that continuous improvement in performance management for LBS funding will increasingly incorporate agency-level measures of effectiveness, efficiency, and learner satisfaction. However, many agencies continually spend ministry funds but fail to meet their output targets.

RECOMMENDATION 13

To obtain adequate information for making appropriate and equitable funding decisions for its Literacy and Basic Skills (LBS) Program and to strengthen accountability, the Ministry of Training, Colleges and Universities should:

- report separately on outcomes for clients who exit after assessment without receiving any intensive LBS training, for those who exit the program before and on completion, and—three months after they exit the program—for learners who complete the program;
- track and report the length of time learners remain in the program and detect any sites that are carrying learners for unusually long periods; and
- implement a funding model that recognizes learner outcomes and better matches funding to service levels provided.

MINISTRY RESPONSE

The Ministry is currently developing the Employment Ontario Information System (EOIS). EOIS will replace the LBS Information Management System and improve data collection and reporting for the LBS Program. EOIS will enable the planned performance-based management framework envisioned for Employment Ontario program and service delivery, including that for LBS.