

EMPLOYMENT SERVICES TRANSFORMATION INCENTIVE AND CONSEQUENCE FRAMEWORK

Version 2.0

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1.0 INTRODUCTION

1.1 Purpose

This document outlines the principles and process the Province may consider when assessing the performance of Service System Managers (SSMs) pursuant to the agreement between the Province and SSMs with respect to the planning, design and delivery of Integrated Employment Services.

1.2 Context

The Incentive and Consequence Framework (ICF) informs the measures the Province may use when assessing an SSM's performance, including the criteria and protocol to address service level, quality, and/or compliance issues. The ICF is also intended to promote high performance by SSMs and contribute to accountability and contestability, while seeking to uphold service quality standards to support positive client outcomes.

Through the ICF, the Province promotes value for money and service quality by linking funding to achieving outcomes and allowing the Province to address underperformance or non-compliance directly.

SSMs who exceed performance commitments and targets and comply with all other terms and conditions of the agreement may be eligible for specific incentives. SSMs who do not meet performance commitments, targets and/or do not comply with other terms and conditions of the agreement, as per the Province's monitoring activities, may be subject to certain consequences and correction action measures based on the nature of the underperformance or non-compliance.

The consequences are progressive and may escalate for continued and repeated underperformance or non-compliance. For each underperformance or non-compliance, the Province will document and provide timely communication to the SSM outlining the nature of the underperformance or non-compliance and the necessary corrective action measures required within a specific timeframe.

The Province will leverage operational and system data to inform SSMs performance monitoring and assessment.

2.0 DESCRIPTION

2.1 Principles

The ICF is informed by the following key principles:

- Clear expectations as per the Performance Management Framework (PMF) and the Transfer Payment Agreement (TPA) between the Province and SSMs.
- Collaborative and ongoing communication between the Province and SSMs (e.g., Joint Ministry-SSM Committee, business planning, etc.).
- Progressive and escalating consequences.
- Proportionality of incentives and consequences.
- Consistency, transparency and fairness, informed by due-process and evidence.
- Responsiveness to local conditions including local community needs and changes in labour market conditions.
- Reasonableness of the Province’s Key Performance Indicators (KPIs) in the PMF. ¹

3.0 METHODOLOGY

The Province’s annual assessment of SSM performance comprises of three levels of data/information inputs:

Level 1: Performance Management Framework

The PMF KPIs are measured against outcomes data for clients who began receiving employment services during the Integrated Employment Services (IES) Delivery Period.

Level 2: Transfer Payment Agreement Compliance

The Province’s Level 2 assessment includes assessment of SSMs compliance with the Transfer Payment Agreement, adherence to ministry reporting requirements, guidelines, and review of SSM’s plans to monitor and manage the overall health and capacity of their service delivery footprint.

Level 3: Performance Assessment Considerations

Performance Assessment considerations will take place during the Province’s annual Business Planning Process. The Business Planning process refers to the annual process between the SSM and the Province to set operational and strategic priorities as well as determine potential changes to SSMs targets and operational funding.

During the annual business planning, an SSM’s overall performance category will be determined based on performance assessment and the established ICF criteria, and whether to apply incentives or consequences (e.g., operational funding increase or decrease).

¹ When assessing the reasonableness of KPIs, the ministry will consider whether the Meeting and Exceeding baselines are properly calibrated and achievable. As mentioned in the TPA, performance commitments for future fiscal years will be confirmed through the annual business planning process.

Prior to applying potential incentives or consequences, the Province will review available data and may take into consideration the following indicators:

- Catchment Level Labour Market Information and community needs
- Comparison of the SSM's performance vs other SSMs
- Assessment of the reasonableness of the Province's KPIs in the PMF
- Assessment of the validity of available data.

Note: Since SSM performance is being regularly monitored, the Province may initiate a corrective action process to allow SSMs to address underperformance or non-compliance at any point during the contract period.

4.0 DETAILED CRITERIA, INCENTIVES AND CONSEQUENCES

The following section describes the criteria that may be considered in the Province's assessment of SSMs' performance. This is not an exhaustive list and the Province reserves the right to consider other criteria as the IES system matures. The Province's annual business planning process and monitoring activities may designate SSMs' performance as within the following categories:

- **High Performance:** exceeds performance commitments and service standards as per the terms of the TPA and may be eligible for a range of incentives.
- **Good Performance:** meets performance commitments and service standards as per the terms of the TPA.
- **Performance Review:** performing below performance commitments and/or service standards. The Province, pursuant to the Event of Default provisions in the TPA, may initiate the consequence protocol and require the SSM to develop a Corrective Action Plan to achieve performance requirement within two (2) to six (6) months, depending on the severity of the underperformance. Performance Review could lead to Directed Improvement, Non-Compliance, Early Termination, or Termination for Cause if not remedied to the Province's satisfaction.

4.1 High Performance

4.1.1 Criteria

High-performing SSMs would need to meet all the following criteria:

- Performance rating of "Exceeds" expectations as per performance commitments in the PMF.
- Exceed client volume targets by more than five percent (5%) for all client streams-
- Successful development/implementation of annual business plans or transition plans.

- Maintaining a healthy service delivery network as per the terms established in the SSM IES Delivery Plan.
- Compliance with the terms and conditions of the TPA.

4.1.2 Incentives

High performing SSMs may be considered for the following incentives:

- SSM may be considered qualified to enter into negotiations with the Province for two-year contract renewal following the initial three-year TPA, in the event the Province continues with a similar project following the initial term of the TPA.
- In the event that the Province expands the availability of funding to serve additional clients, the SSM may be considered for increased funding. However, there is no obligation for the Province to amend the TPA to increase funds.
- Opportunity for enhanced public reputation as part of potential public reporting requirements.

4.2 Good Performance

4.2.1 Criteria

Good performing SSMs would need to meet all of the following criteria:

- Performance rating of “Meets” expectations on all performance commitments in the PMF.
- Client volumes are within five percent (5%) of target for all client streams for the previous fiscal year.
- Successful development/implementation of annual business plans or transition plans.
- Maintaining a healthy service delivery network as per the terms established in the SSM IES Delivery Plan.
- Compliance with the terms and conditions of the TPA.

4.2.2 Incentive

Good Performing SSMs may be considered for the following incentive:

- SSM may be considered qualified to enter into negotiations with the Province for contract renewal of two years² in the event that the Province continues with the project following the initial term of the TPA.

² Does not apply to EST prototype-phase catchment TPAs (unless those agreements are amended).

4.3 Performance Review

4.3.1 Criteria

SSMs undergoing a Performance Review would meet at least one of the following criteria:

- Failure to meet any one or more performance commitments indicated in the PMF. The Province will evaluate performance with consideration for local labour market conditions and natural fluctuations in employment trends.
- Failure to submit timely reports to the Province, as per the TPA.
- Failure to develop/implement annual business plans or transition plans.
- Failure to maintain a healthy service delivery network, as per the terms established in the SSM's IES Delivery Plan.
- Failure to meet client satisfaction targets, as per client satisfaction survey.
- Failure to meet SSM customer service standards.
- Failure to comply with communication guidelines.
- Failure to comply with privacy, security and confidentiality requirements.
- Failure to comply with audit and accountability requirements.
- Failure to meet data, documentation or records management requirements.
- Failure to meet other terms and conditions pursuant to the TP A.
- Failure to comply with applicable legislation requirements pursuant to the TPA.

Note that since SSM performance is being regularly monitored, SSMs may be under Performance Review due to any of the above criteria at any point during the contract period.

4.3.2 Consequences

If an SSM is undergoing a Performance Review, they may be issued a Directed Improvement Notice letter and requested to develop and implement a Corrective Action Plan.

The Corrective Action Plan must articulate details about:

- A clear rationale for the underperformance.
- Steps the SSM plans to take to address the service deficiency.
- A timeline for addressing the service deficiency. The timeline may not exceed the timeline determined by the Province in the Directed Improvement Notice letter.
- Any resource, including senior management within the SSM organization, that is responsible for addressing the underperformance.

The Corrective Action Plan will be reviewed, approved and monitored by the Province. If the Province determines that an SSM has successfully and effectively implemented the Corrective Action Plan within the timeline articulated by the Province, the SSM will no longer be under Directed Improvement Notice.

4.4 Non-Compliance

4.4.1 Criteria

If the Province provides the SSM with a Directed Improvement Notice letter and the SSM does not develop and implement a Corrective Action Plan to the satisfaction of the Province, the Province may issue a **Notice of Non-Compliance** to the SSM.

4.4.2 Consequences

In the event of Notice of Non-Compliance, pursuant to the Event of Default provisions in the TPA, the Province may initiate any one or more of the following actions:

- Issue a Notice of Non-Compliance to the SSM with further instructions and/or warning of potential consequences, pursuant to the Event of Default provisions in the TPA. As part of this process, the Notice of Non-Compliance will be shared with the SSM's signing authority, as indicated in their TPA.
- Reduce the amount of the Operational Funds, as determined by the Funding Model, by up to ten (10%) available under the TPA in the subsequent fiscal year. The Province's decision to review Operational Funds will be determined through the annual business planning process. Any change in funding levels may consider:
 - local labour market or community needs;
 - implication on client outcomes and access; and
 - in-depth review during the business planning process.

SSMs will be required to remedy non-compliance within the timeline allotted in the Notice of Non-Compliance. Any Corrective Action Plan following the Notice of Non-Compliance must include:

- A clear rationale for the non-compliance.
- The timeline for addressing the non-compliance.
- The SSM's plan to address the non-compliance

The Corrective Action Plan for the non-compliance will be reviewed, approved and monitored by the Province. If the Province determines that an SSM has successfully and effectively implemented the Corrective Action Plan within the timeline allotted, the Province will notify the SSM that it is no longer under Notice of Non-Compliance.

4.5 Early Termination

4.5.1 Criteria

The Province may initiate early termination, pursuant to the Event of Default provisions in the TPA, due to:

- Continued failure to effectively implement Corrective Action Plan within the timeline allotted by the Province.

- Failure to comply with the terms and conditions under the Notice of Non-Compliance.
- Proven incidence or conviction of bribery, fraud, theft, misuse of public funds or other similar offences.

4.5.2 Consequence

- Pursuant to the terms of the TPA, the Province has the right, in assessing the severity of any non-compliance with the terms of the TPA, including the performance commitments, to determine the appropriate course of action to remedy the SSM's default. Where the default or non-compliance is, in the opinion of the Province, not remediable or has not been remedied within a communicated timeframe, the Province has the right to terminate the TPA for cause.

4.6 Termination for Cause

In the event of any continued failure to effectively implement the Corrective Action Plan within the allotted timeline following the issuance of the Notice of Non-Compliance or poor performance or other failure to comply with the terms of the TPA, the Province may terminate for cause pursuant to the terms of the TPA.

As provided by the terms of the TPA, the SSM will be provided with three (3) months to cease carrying out the Project.

If the event of termination for cause, SSMs ordered to cease carrying out the Project may be ineligible for a period to participate in future competitive processes and/or may have special conditions on future agreements.

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