



MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Outcomes Based Funding (OBF) Pilots Final Evaluation Report

Executive Summary

**Centre for Social Research and Evaluation
Te Pokapū Rangahau Arotake Hapori**

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This report presents the findings from the evaluation of the OBF pilots and the implications of those findings for a future application of this approach.

Background

The OBF programme is an outsourced contracting service that is designed to encourage appropriate, innovative and effective assistance to enable job seekers to achieve sustainable employment. OBF relies on two mechanisms:

- giving incentives to providers by linking contract payments to specified positive outcomes (eg participants remaining off income support for up to six months)
- allowing operational flexibility by encouraging providers to determine the most appropriate mix of assistance to achieve contracted outcomes.

Key findings from the evaluation

One year after participation start date, OBF participants had higher outcomes than the matched comparison group, with a difference of 10 percentage points. OBF was not cost-effective after one year, but may be after two years due to continued benefit savings.

The evaluation revealed relatively unsophisticated approaches among providers. Providers were expected to cross-subsidise savings from easily placed job seekers to hard-to-place job seekers, but most adopted a simple strategy – fixed expenditure per participant, with any variation in assistance confined beneath this ceiling. Such simple strategies may reflect providers' limited experience, rather than an enduring response to the OBF concept. For example, providers may have adopted more innovative approaches if such ideas had been introduced at the outset of the pilots.

On the whole, providers helped participants with job search and job brokering. There was little evidence of investment in training or addressing non-employment barriers. Providers indicated that they were unwilling to make long-term investment in clients and saw their role as placing “work ready” clients into jobs. Providers were referred hard-to-place job seekers, but they were not willing to invest in clients who were unlikely to achieve outcomes. This behaviour is referred to as “parking” in Australia (under Job Network). Even when they had six or more months to place a participant, providers generally decreased their efforts after two or three months if the client had not found a job or had returned to benefit.

Because the focus was on job placement and not training, we expect that there are significant substitution effects (ie participants moving into existing jobs that, in the absence of OBF, would have been filled by non-participants), which would reduce the aggregate benefit of OBF to *all* disadvantaged job seekers.

Future application

The Ministry of Social Development may continue to use OBF approaches, particularly for client groups where it does not have the specific expertise or competencies they require. If well managed, payment-per-outcome encourages providers to deliver effective assistance to achieve the contracted outcome.