



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Cost-effectiveness of MSD employment assistance

**Summary report for 2012/2013 financial
year**

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Disclaimer

The views and interpretations in this report are those of the researcher and are not the official position of the Ministry of Social Development.

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Contents

Overview	4
Part 1 – Key points	4
Part 2 – Evaluation results	5
Overall effectiveness of Employment Assistance expenditure	5
Employment assistance highlights	7
The amount spent on effective programmes continues to increase.....	7
MSD has addressed programmes identified as ineffective	8
No evidence on the effectiveness for \$80m of expenditure.....	9
Other employment assistance evaluations	10
Service Delivery Model pilot evaluation: time to benefit exit reduced for clients in more intensive case management	10
Youth Service evaluation: most young people engaged in education, training, and work-based learning activities.....	10
Next steps.....	11
Appendix 1: Evaluation results by employment assistance.....	12
Appendix 2: Job Streams concordance	14
Appendix 3: Methodology	15

List of figures

Figure 1: Total evaluated expenditure, by rating, for the 2014 evaluation year ..	5
Figure 2: Total evaluated expenditure, by rating, by financial year ^{1,2}	6

List of tables

Table 1: Effectiveness rating for evaluated employment assistance funded in the 2012/2013 financial year ¹	7
Table 2: MSD response to programmes rated as ineffective.....	8
Table 3: Non-evaluated employment assistance funded in 2012/2013 financial year ¹	10
Table 4: Employment assistance effectiveness, by evaluation year	13
Table 5: Job Streams concordance	14

Overview

This annual report provides an overview of the Ministry's latest evidence on the effectiveness of its employment assistance (EA) expenditure. The report covers employment assistance provided in the 2012/2013 financial year and evaluated to May/June 2014.

Part 1 – Key points

Key findings for the evaluation period ending May/June 2014 showed that:

- In the 2012/2013 financial year, MSD spent a total of \$384 million¹ on 71 employment programmes and services. MSD was able to evaluate the effectiveness of \$304 million of total expenditure.
- Of evaluated expenditure (\$304 million), \$119 million (39 percent) went on effective or promising employment assistance, \$46 million was spent on programmes where results were mixed, \$26 million was spent on programmes evaluated as ineffectual, \$83 million on ineffective programmes and services. It is too early to assess the effectiveness of programmes and services for \$30 million of expenditure.
- MSD spent more on effective employment assistance in the 2012/2013 financial year than in each of the previous two financial years.
- Expenditure on ineffective employment assistance in this report, \$83 million, is historical and has largely been addressed by the disestablishment of the Foundation Focused Training Opportunities (FFTO) programme (\$58 million).
- Results from the Ministry's effectiveness reporting are important for the Investment Approach, and help MSD understand what works and to therefore refine programmes accordingly. For example, previous results have contributed to the disestablishment of programmes that proved to be ineffective such as Foundation Focused Training Opportunities (FFTO).
- iMSD are working with the Work and Income investment approach to include future liability savings in their effectiveness reporting.

¹ Expenditure is expressed as real dollars (CPI adjusted to 2014 values) unless stated otherwise. Numbers and percentages are rounded to the nearest whole number (and 1dp in the tables), and may not add to 100 percent.

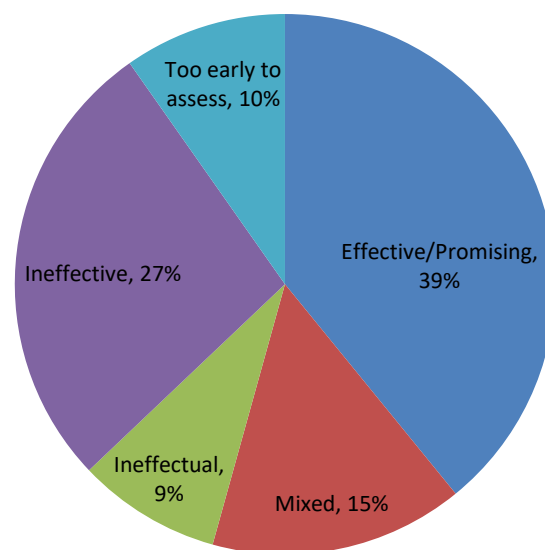
Part 2 – Evaluation results

Overall effectiveness of Employment Assistance expenditure

In the 2012/2013 financial year, MSD spent a total of \$384 million² on employment programmes and services, of which we were able to evaluate \$304 million (79 percent). Appendix 3 summarises the method used to evaluate the effectiveness of employment assistance.

Figure 1 shows that, of evaluated expenditure (\$304 million), \$119 million (39 percent) went on effective or promising employment assistance, \$46 million went on mixed, \$26 million went on ineffectual, \$83 million went on ineffective, and \$30 million was spent on interventions where it is too early to assess the effectiveness.

Figure 1: Total evaluated expenditure, by rating, for the 2014 evaluation year



MSD spent more on effective employment assistance in the 2012/2013 financial year than in each of the previous two financial years. Figure 2 compares high-level results for evaluated expenditure over the last three financial years.³

The main changes in the effectiveness of expenditure are:

- The amount of effective/promising expenditure has increased over the last three financial years.

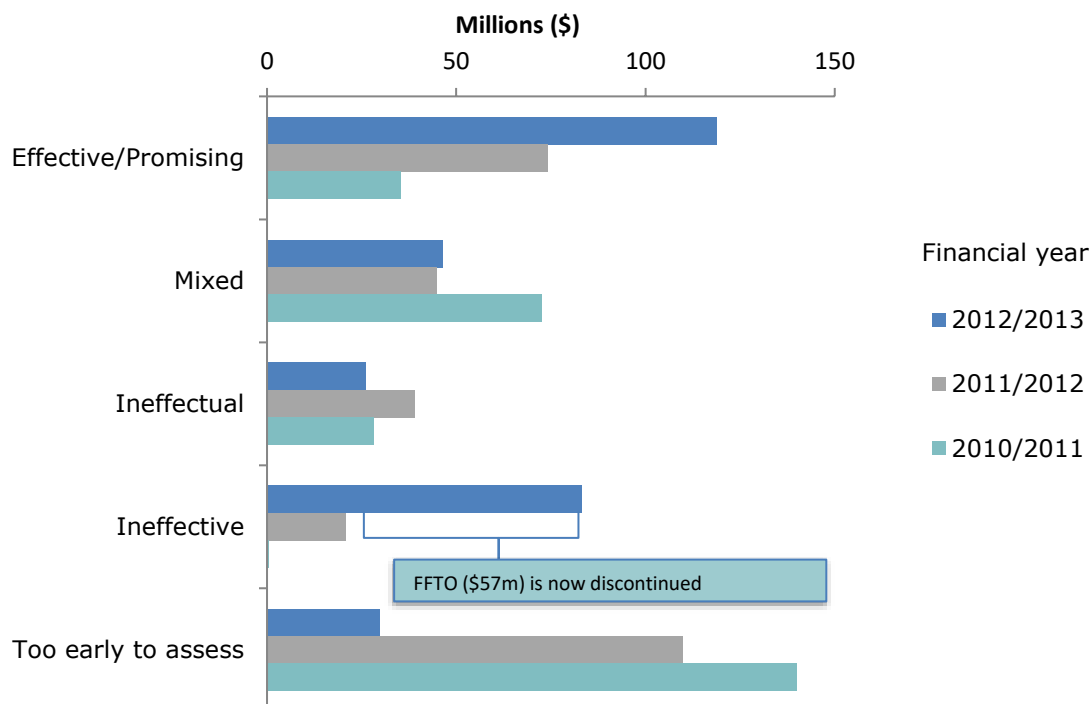
² Expenditure is expressed as real dollars (CPI adjusted to 2014 values) unless stated otherwise. Numbers and percentages are rounded to the nearest whole number (and 1dp in the tables), and as a result may not add to 100 percent.

³ See Appendix 1 for effectiveness rating definitions.

- A jump in ineffective expenditure in 2012/2013. However, these programmes have either been discontinued, or funding has been shifted to interventions shown to be effective.

We discuss how employment assistance expenditure has been reallocated in subsequent sections of this report.

Figure 2: Total evaluated expenditure, by rating, by financial year^{1,2}



Notes:

1. Expenditure is expressed as real dollars (CPI adjusted to 2014 values) unless stated otherwise. Numbers are rounded to the nearest whole number.
2. There was a comparatively small value for expenditure rated ineffective in the 2010/2011 financial year (\$449,000).

We were not able to evaluate the remaining \$80 million of total expenditure in the 2012/2013 financial year. Over half of that expenditure (\$41 million) consisted of one-to-one case management which cannot be directly attributed to a specific programme or service at this stage.

Employment assistance highlights

Table 1 shows effectiveness ratings for employment assistance funded in the 2012/2013 financial year.

Table 1: Effectiveness rating for evaluated employment assistance funded in the 2012/2013 financial year ¹

Effective/Promising (\$119m)	Mixed (\$46m)	Ineffectual (\$26m)	Ineffective (\$83m)	Too early to assess (\$30m)
Effective	Vocational Services	Employment Placement or Assistance Initiative (\$21.8m)	Foundation Focused Training (\$57.8m) ²	Youth Service (NEET) (\$19.1m)
Work and Income Vacancy Placement (\$19.4m)	Employment (\$37.4m)	Course Participation Grant (\$2.7m)	Limited Services Volunteer (\$8.5m)	Youth Service (YP) (\$5.1m)
52 week reapplication (\$6.6m)	Work Confidence (\$3.0m)	Outward Bound (\$0.7m)	Training Incentive Allowance (\$6.2m)	Youth Service (YPP) (\$3.2m)
WRK4U (\$5.6m)	Job Search Initiatives (\$2.9m) ²	Work Experience (\$0.6m)	Work and Income Seminar (\$5.3m) ²	Job Preparation Programme (\$1.0m)
Taskforce Green (\$0.5m) ²	PATHS (\$2.8m)	Skills Training (\$0.2m) ⁽²⁾	Youth Seminar (\$1.8m)	DPB Study Assistance SNG (\$0.6m)
Work Development Workshops (\$1.2m)		Career Guidance and Counselling (\$0.2m)	Employment Workshop (\$1.6m)	Mental Health Co-ordination (\$0.5m)
Work Search Assessment Seminar (\$1.2m)			Recruitment Seminar (\$1.4m) ²	
Promising			Activity in the Community (\$0.4m)	
Training for Work (\$33.2m)				
Flexi wage (Basic/Plus) (\$31.0m)				
Skills for Industry Upskilling Assistance (\$18.8m)				
Flexi wage Self Employment (subsidy) (\$1.2m)				

Notes:

1. Table excludes programmes with less than \$0.1m of expenditure in the 2012/2013 financial year. Numbers are rounded to 1dp.
2. Employment assistance no longer funded in the 2014/2015 financial year.

The amount spent on effective programmes continues to increase

Over time, MSD is shifting expenditure towards more effective employment assistance, and away from ineffective programmes and services. We are also seeing improvements in the performance of effective programmes.

Job Streams is showing early positive impacts that we attribute to better targeting

Job Streams is showing early positive impacts that we attribute to better targeting. MSD implemented Job Streams on 1 July 2012, consolidating a number of programmes and services previously evaluated as effective. In this evaluation we have assumed that Flexi wage (Basic/Plus) (\$31m), Flexi wage Self

Employment (subsidy) (\$1m), and Skills for Industry Upskilling Assistance (\$19m), will continue to be at least as effective as their predecessors⁴.

Initial impact evaluations have confirmed this assumption. For Flexi wage (Basic/Plus) we see larger impacts than for the programmes it replaced. The improved effectiveness of Flexi wage (Basic/Plus) comes primarily from better targeting of the programme to clients at higher risk of long-term benefit receipt.

Training for Work shows continued improvement in effectiveness.

Training for Work (\$33m) was a substantial addition to the effective/promising category. Following increased emphasis on contract performance after 2010, we are seeing larger impacts for 2012 and 2013 participants. Accordingly, we expect Training for Work to show a modest, but positive impact, over the long term.

MSD has addressed programmes identified as ineffective

In the 2012/2013 financial year, \$83 million was spent on programmes rated as ineffective. The \$83 million spent on ineffective employment assistance in 2012/2013 is historical, and has largely been addressed. MSD has already reprioritised most of this expenditure as outlined in Table 2 below.

Table 2: MSD response to programmes rated as ineffective

Programmes rated as ineffective	2012/2013 expenditure	MSD response
Foundation Focused Training Opportunities (FFTO)	\$57.8m	FFTO was disestablished in December 2013, with funding allocated to other MSD and MOE programmes ⁵
Work and Income / Recruitment Seminars	\$6.7m	Incorporated into the Work Search Support (WSS) service

Foundation Focused Training Opportunities (FFTO) has been discontinued, and Training Incentive Allowance (TIA) scaled back

FFTO (\$58m) was rated as ineffective in this evaluation, and made up the bulk of ineffective expenditure. The programme was disestablished in December 2013. Evaluation evidence showed that FFTO did not align with employment or foundation education objectives and was not performing well overall. Cabinet agreed to discontinue FFTO and redirect funding to MSD and MOE training programmes.⁶ We will examine the effectiveness of the MSD reprioritised expenditure in subsequent reports.

⁴ See Appendix 2 for more detail.

⁵ [CAB Min (13) 29/14 refers]. FFTO expenditure was reallocated to English Speakers of Other Languages (ESOL), intensive literacy and numeracy courses, and fees-free foundation education (level 1 and 2 courses) for 20-24 years olds. TIA was largely replaced by education and employment-related training on 1 July 2014.

⁶ Cabinet agreed that funding be reprioritised to, among other things, support for sole parents to study at Level 4 and above [CAB Min (13) 29/14 refers]. FFTO expenditure was reallocated to

Work and Income seminars have been moved to the Work Search Support service (WSS), which has proven to be effective.

From 13 July 2013 a number of Work and Income seminars have been consolidated into the WSS as part of the Service Delivery Model (SDM). An impact evaluation of the SDM shows that WSS is effective in moving participants off main benefit (see page 10).

Limited Service Volunteers (LSV) programme is now rated ineffective

In addition to FFTO, LSV (\$9m) was rated as ineffective this year. Despite changes to LSV in 2010, there has been no improvement in the performance of more recent participants on this programme. The medium-term results show that LSV is ineffective in terms of increased time independent of Work and Income assistance, and ineffectual for combined positive outcomes⁷. A separate evaluation carried out by MSD in 2010 showed that LSV trainers, employers, and participants thought that the programme resulted in positive behavioural changes and provided young people with experiences that other courses did not.⁸

No evidence on the effectiveness for \$80m of expenditure

- 1 It was not possible to evaluate the effectiveness of \$80m expenditure on employment assistance using available evaluation methods (see

English Speakers of Other Languages (ESOL), intensive literacy and numeracy courses, and fees-free foundation education.

⁷ Combined positive outcomes: All outcomes that move a participant closer to full-time employment.

⁸ CSRE (2011) *Limited Service Volunteer Programme Evaluation Report*, Unpublished internal report, Centre for Social Research and Evaluation, Ministry of Social Development, Wellington.

Table 3). Currently, there is no work planned to determine the effectiveness of these employment assistance programmes. A randomised control trial (RCT) would be required to determine the effectiveness of most of these interventions. However, implementing an RCT poses difficulties for existing programmes, especially those that are entitlement-based (eg Childcare Assistance and Transition to Work).

Table 3: Non-evaluated employment assistance funded in 2012/2013 financial year¹

Unknown (\$41m)	Cannot be evaluated (\$39m)
Unallocated (\$41.3m)	Transition to Work Grant (\$24.3m) Work Focus (\$5.9m) Mainstream Employment Programme (\$4.5m) Skills For Growth (\$0.9m) Migrant Employment Assistance (\$0.8m) Seasonal Work Assistance (\$0.4m) Preparing for Work (\$0.3m) In Work Support (\$0.3m) Youth Transition Services (\$0.3m) Job For A Local (\$0.2m) Be Your Own Boss (\$0.2m) Literacy/Numeracy (\$0.1m) New Employment Transition Grant (\$0.1m) Self Employment Initiative (\$0.1m)

1. Table excludes programmes with less the \$0.1m of expenditure in the 2012/2013 financial year. Numbers are rounded to the nearest whole number.

2. Most Unallocated expenditure consists of one-to-one case management.

Other employment assistance evaluations

MSD continues to increase the rigour with which it evaluates the effectiveness of its employment assistance. In addition to employment assistance covered in this Report, we have carried out separate evaluations of the Service Delivery Model and Youth Service.

Service Delivery Model pilot evaluation: time to benefit exit reduced for clients in more intensive case management⁹

The Service Delivery Model (SDM) includes an RCT design that enables MSD to determine the effectiveness of differing case management intensities. The pilot phase of the SDM ran from October 2012 to June 2013. Pilot results showed that more intensive case management services increased the time participants are off main benefit.

In July 2013, the SDM was rolled out to all Work and Income service centres. We will report on the results from the national roll-out as they become available.

Youth Service evaluation: most young people engaged in education, training, and work-based learning activities

The Youth Service focuses on engaging young people in education, or work-based learning and connecting them to budgeting and parenting courses to equip them with life skills. Initial findings from the Youth Service evaluation

⁹ MSD(2013) Cost-effectiveness of the pilot of WFCM and WSS: One year results, Ministry of Social Development, Wellington

showed that most young people in Youth Service are engaged in education, training and work-based learning activities, and are beginning to show signs of building independence from the benefit system¹⁰.

Next steps

This report focuses on the effectiveness of employment assistance. Insights MSD (iMSD) also reports annually on the cost-effectiveness of Work and Income's employment assistance expenditure.

iMSD has developed prototype Return on Investment (ROI) measures for employment assistance in terms of Work and Income costs. However, we have not reported these results as they do not account for future liability savings. We are currently working with the Work and Income Investment Approach team on including future liability savings into the ROI measures. Once completed, we will be able to report on the cost-effectiveness of employment assistance.

iMSD will continue to review and enhance the methods used in this report to evaluate and compare employment assistance delivered as part of business as usual, including those that are being trialled.

In addition, MSD is adding employment and earning outcomes from the Statistics New Zealand Integrated Data Infrastructure to the report. We plan to include these outcomes in the 2015 cost-effectiveness report.

All these results will be factored into the cost-model work currently being jointly developed by MSD and The Treasury. This work is part of the future funding mechanism for the Investment Approach, and was the subject of the Minister for Social Development's meeting with the Minister of Finance on 20 May 2014.

¹⁰ MSD (2014). Youth Service Evaluation Report. Ministry of Social Development. Wellington.

Appendix 1: Evaluation results by employment assistance

The effectiveness of employment assistance (EA) was categorised by its impact on participants' overall outcomes. EA was given the following effectiveness rating definitions:

Combined positive outcomes ¹	Effectiveness rating definition
Effective ★★★★	Participants spend more time in positive outcomes than the comparison group.
Promising ★★★★	The employment assistance cannot be rated as effective yet, but there is enough evidence to show it is likely to be effective.
Mixed ★★★★	There is no clear indication of whether the assistance is effective. The assistance may have both positive and negative effects on participant outcomes.
Ineffectual ★★	The assistance makes no statistically significant difference to participants' outcomes.
Ineffective ★	Participants spend significantly less time in positive outcomes than the comparison group. This difference is statistically significant.
Too early to assess ●	There has not been enough time to observe the impact of the intervention. Typically, we do not rate a programme until we have two years of outcomes data available.
Unknown ○	The intervention has not been assessed.
Cannot be evaluated ✘	It is not technically possible to estimate the impact of the intervention, and it cannot be given a rating.

Notes:

1. All outcomes that move a participant closer to full-time employment.

Table 4 shows three years of evaluation year for employment assistance programmes. Only employment assistance funded in the 2012/2013 financial year is displayed.

Table 4: Employment assistance effectiveness, by evaluation year

Employment Assistance (EA)	Expenditure (\$'000) ^{1, 2}	Evaluation year ³		
		2012	2013	2014
52 week reapplication	\$6,633	○	★★★★★	★★★★★
Activity in the Community	\$393	★	★	★
Be Your Own Boss	\$239	✘	✘	✘
Career Guidance and Counselling	\$194	★★	★★	★★
Course Participation Grant	\$2,684	★★	★★	★★
Employment Placement or Assistance Initiative	\$21,730	★★★	★★	★★
Employment Workshop	\$1,586	○	★	★
Flexi wage (Basic/Plus)	\$30,976			★★★★
Flexi wage Self Employment (subsidy)	\$1,169			★★★★
Foundation Focused Training	\$57,784	●	●	★
In Work Support	\$272	○	✘	✘
Job For A Local	\$182	✘	○	✘
Job Preparation Programme	\$989	○	✘	●
Job Search Initiatives	\$2,898	★★★★★	★★★	★★★
Limited Services Volunteer	\$8,508	★★	★★	★
Literacy/Numeracy	\$106	○	✘	✘
Mainstream Employment Programme	\$4,460	✘	✘	✘
Mental Health Co-ordination	\$549			●
Migrant Employment Assistance	\$781	✘	✘	✘
New Employment Transition Grant	\$147	○	✘	✘
Outward Bound	\$716	★★	★★	★★
PATHS	\$2,798	★★	★★	★★★
Preparing for Work	\$335	○	✘	✘
Recruitment Seminar	\$1,436	○	●	★
Seasonal Work Assistance	\$400	✘	✘	✘
Self Employment Initiative	\$132	✘	✘	✘
Skills for Growth	\$918	○	✘	✘
Skills for Industry Upskilling Assistance	\$18,803			★★★★
Skills Training	\$235	★★★	★★★	★★
SPS Study Assistance SNG	\$570	○	○	●
Taskforce Green	\$529	★★★★★	★★★★★	★★★★★
Training for Work	\$33,177	●	●	★★★★

Employment Assistance (EA)	Expenditure (\$'000) ^{1, 2}	Evaluation year ³		
		2012	2013	2014
Employment Assistance (EA)	2012/2013 FY			
Training Incentive Allowance	\$6,226	★★★	★	★
Transition to Work Grant	\$24,266	✖	✖	✖
Unallocated ⁽⁴⁾	\$41,303			○
Vocational Services Employment	\$37,395	★★★	★★★	★★★
Work and Income Seminar	\$5,271	★★	★	★
Work and Income Vacancy Placement	\$19,425	○	★★★★★	★★★★★
Work Confidence	\$3,018	★★★	★★★	★★★
Work Development Workshops	\$1,224			★★★★★
Work Experience	\$579	★★	★★	★★
Work Focus	\$5,903	○	✖	✖
Work Search Assessment Seminar	\$1,238			★★★★★
WRK4U	\$5,580	✖	★★★★★	★★★★★
Youth Seminar	\$1,817			★
Youth Service (NEET)	\$19,119			•
Youth Service (YP)	\$5,102			•
Youth Service (YPP)	\$3,235			•
Youth Transition Services	\$277	✖	✖	✖

Notes:

1. Only employment assistance (EA) funded in the 2012/2013 financial year is shown in this table. Table excludes programmes with less than \$0.1m of expenditure in the 2012/2013 financial year. Numbers are rounded to the nearest whole number.
2. Expenditure is expressed as real dollars (CPI adjusted to 2014 values) unless otherwise stated.
3. While EA is funded in a given financial year, its impact on client outcomes can be observed over a longer timeframe. For example, in this summary report the impact of EA funded in the 2012/2013 financial year is observed up to May/June 2014. 2014 is the evaluation year.
- (4) Most unallocated expenditure consists of one-to-one case management.

Appendix 2: Job Streams concordance

Table 5 shows the concordance between Job Streams and previous employment assistance names.

Table 5: Job Streams concordance

Before Welfare Reform	After Welfare Reform
Enterprise Allowance	Flexi wage Self Employment (subsidy)
Business Training and Advice Grant	Flexi wage Self Employment (training grant)
Skill Investment Subsidy, Taskforce Green	Flexi wage Wage Subsidy (Basic/Plus)
Training for Work	Skills for Industry (Training For Work)
Straight 2 Work	Skills for Industry Upskilling Assistance

Appendix 3: Methodology

To rate the effectiveness of employment assistance, MSD compared outcomes for participants against those of a comparison group. This group had the same set of observable characteristics as the programme participants, for example, age, gender, and ethnicity.

Programme effectiveness is judged against two outcomes:

- Whether participants spend more time off benefit and employment assistance than the comparison group. Increased time independent of Work and Income assistance is used as a proxy for movement into employment, as well as indicating savings.
- Combined positive outcomes, which reflect a broader set of outcomes such as tertiary study, part-time work, or progressing onto other programmes. This is designed to show whether programmes are staircasing people towards employment.

Analysis of these impacts forms the basis of the final effectiveness ratings given in this report. MSD considers how consistent the impacts of programmes are over time when rating them. We also assess likely future impacts for newer programmes, and whether programmes have both positive and negative impacts.