



MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

**Outcomes Based Funding
(OBF) Pilots
Final Evaluation Report**

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

Employment Research and Evaluation

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Introduction

This is the final report of the evaluation of the Outcomes Based Funding (OBF) Pilots and adds to the evidence and analysis collated during the interim evaluation reported in October 2002. While the first report focused on the operation of OBF, this report includes analysis of its outcome, impact and cost-effectiveness. The report concludes by examining the implications of using an OBF approach to deliver employment assistance.

1 Background

On 13 December 2000, the Minister for Social Services and Employment agreed that the Department of Work and Income¹ begin work to extend an Outcomes Based Funding (OBF) approach in New Zealand. The Ministry of Social Development (MSD) has led the work in implementing the pilot approach, with input from the Department of Labour and Treasury.

The purpose of the pilots was to test whether the OBF approach works in practice and whether it contributes to more cost-effective and sustainable employment outcomes². In addition, the pilots were expected to:

- assess which aspects of the partnership arrangements support the OBF approach
- establish if the OBF model offers clients individualised service³
- examine how resources are used and if this is done in an optimal and innovative manner⁴
- assess the capacity of providers to operate within the OBF approach.

The OBF pilots commenced in August 2001 and finished in December 2002. The evaluation is intended to provide information on the feasibility of implementing an OBF approach in New Zealand and whether it is preferable to alternatives in delivering employment assistance.

1.1 OBF concept and approach

The OBF approach aims to achieve employment outcomes for job seekers primarily through two mechanisms: incentivisation and operational flexibility. Incentive is achieved by linking contractual payments to the achievement of specified outcomes (ie participants remaining off income support for up to six months). This means that providers have a strong interest in providing effective services that directly contribute to increased likelihood of participants achieving the contracted outcome. This incentive is complemented by a “black box” contract, ie there are no contractual obligations to undertake specific activities or deliver certain outputs. Such operational flexibility enables providers to develop their own approaches to achievement of contracted outcomes. In other words, OBF shifts the responsibility of improving the contracted outcome of job seekers from Work and Income to external providers.

¹ The Department of Work and Income merged with the Ministry of Social Policy to form the Ministry of Social Development (MSD) in October 2001.

² Full-time unsubsidised work for six months.

³ Individualised service relates to whether job seekers receive more choice in the assistance they are offered and feel empowered to make good choices.

⁴ Optimal and innovative – while “optimal” deals with cost-effectiveness, “innovative” deals with whether the choice of assistance options and/or delivery modes offered by providers is quite different from what Work and Income experiences currently.

The assumptions underlying OBF are that:

- linking payments to outcomes gives providers a strong incentive to ensure that the assistance they provide is effective; contracting models that pay on outputs do not provide the same incentive to deliver effective assistance
- operational flexibility encourages innovation among providers to deliver effective assistance tailored to participants' needs; this reinforces the incentive for providers to deliver appropriate, as well as effective, employment assistance.

If these assumptions hold true, it is expected that the OBF programme will have a significant positive impact on participants' outcomes. However, OBF design did not have any explicit assumptions about the nature of the activities that providers would offer participants.

1.1.1 Programme parameters

Based on discussions with both central agencies and the requirements of MSD and Work and Income regions, the following parameters were established:

- target group with unemployment register duration of 6–24 months and in receipt of a work-tested benefit
- financially viable and established providers
- payment structure with weighting linked to expected outcomes, outcomes of full-time employment lasting a duration of one, three and six months
- funding from D2-Contracted Services and Crown-Subsidised Funds
- a maximum of nine months for providers to recruit and place job seekers in employment.

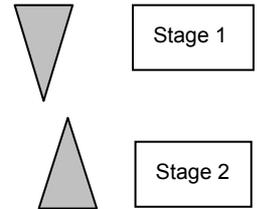
2 OBF evaluation

The aim of the evaluation was to understand how OBF operated in practice and determine whether OBF produces cost-effective sustainable employment outcomes. The evaluation was structured in two stages: Stage 1, covering process and implementation; and Stage 2, dealing with outcomes, impact and cost-effectiveness.

2.1 Evaluation objectives

The OBF evaluation had the following objectives:

1. Describe the contextual factors affecting OBF implementation.
2. Ascertain the role and nature of key mechanisms triggered within OBF.
3. Examine the risks occurring under OBF and how they are managed.
4. Assess the outcomes occurring under the OBF approach.
5. Analyse the impact of the OBF approach.
6. Assess the cost-effectiveness of the OBF approach.



The shaded arrows indicate the objectives covered during each of the two stages of the evaluation, ie Stage 1 focuses on objectives 1–3 and Stage 2 on objectives 4–6. Stage 2 of the evaluation, as indicated in the interim report, focused on addressing the following five areas:

- **Selection bias:** To what extent did the participants differ from the eligible population? This will be analysed by comparing the profile of participants with the profile of the eligible population within referring sites. The level of variation would confirm if selection bias occurred and, if so, to what extent.
- **Outcomes:** Given that OBF is designed to place people directly into employment, the outcomes analysis will focus on employment outcomes rather than training or related outcomes that lead toward unsubsidised employment. Moving off the benefit will be the key proxy indicator for measuring employment outcomes.
- **Impact:** A quasi-experimental design will determine impact through the “counterfactual” technique – estimating possible outcomes for participants in the absence of the programme. This means measuring the gross outcomes for a job seeker who does not participate in OBF but who has similar characteristics to an OBF participant, and comparing this with the outcomes for OBF participants. The “difference” in gross outcomes for these two groups would constitute the “impact” or, inversely, the “deadweight” of the OBF approach.
- **Cost-effectiveness:** Note that this is a narrow definition of cost-effectiveness because non-monetary costs or benefits are not included. Further, the value of outcomes achieved is not explicitly included as would be the case in a cost-benefit analysis.
- **Macroeconomic issues:** What is uncertain is the effect of OBF on non-participants who are similarly or more disadvantaged in the labour market than the OBF participants. Given the scope of the pilots, these effects cannot be measured empirically. However, the discussion will examine the implication of non-participant effects on the overall impact of OBF on employment.

2.2 Intervention logic for OBF

An intervention logic was developed during the evaluation to understand how the OBF approach was expected to work and what the key assumptions were at any given point in the sequence of activities.

Table 1: Key assumptions of the OBF approach

Number	Activity	Outcome	Assumptions	Indicators
1	–	–	<p><i>Overall contextual assumptions</i></p> <p>Expertise and ability to achieve long-term outcomes rests with providers – depends particularly on the nature of pre-placement assistance given</p> <p>Provider effort is not disproportionately higher than what is required</p> <p>Sound flow of information between providers, MSD, participants, other parties</p>	–
2	Defining parameters for the OBF pilots	Well matched to labour market context	Parameters (target group, outcome price, payment structure) well defined	<p>Target group appropriate to region</p> <p>Outcome price reflects anticipated provider effort</p> <p>Payment structure incentivises provider behaviour</p>
3	Contracting	Established and viable providers chosen	Parameters well defined and such providers exist (with right managerial expertise, assistance planning and provision, infrastructure)	<p>Providers clear about what is expected and involved</p> <p>Contracting process goes smoothly</p>
4	Referral by MSD	“Right” job seekers referred	Parameters well defined (MSD staff clear about programme, able to communicate this to prospective participants and convey to providers a list of participants)	Participants successfully recruited by provider
5	Provider undertakes individualised case management	Job seeker well assessed	Provider has capability for such assessments	Risk profile and needs/ barriers of participants well understood

Number	Activity	Outcome	Assumptions	Indicators
6	Provider plans inputs	“Best” match between needs and assistance	Provider capable of using resources in innovative and efficient manner	Participants receive assistance best suited to their needs
7	Provider facilitates pre-placement activity	Enhances job seeker profile and capability to match job demand Job seeker self-places in job	Range of activities exists and is possible. Provider builds on and networks with other agencies for a range of services where needed and not impossible in-house Labour market has suitable jobs	Participants equipped (eg CV, presentation, work-based training) and motivated to seek employment
8	Provider brokers placement	Finds suitable job or a job that leads to suitable job (sustainable job)	Provider has labour market linkages (NB likely to improve/change over time) Labour market has suitable jobs	Provider-secured job is in alignment with job seeker’s expectations
9	Provider engages in post-placement support (PPS)	Job seeker remains in job for six months	PPS is required and is beneficial Providers inform participants at programme outset about PPS monitoring Provider capable of facilitating PPS	Job seeker utilises PPS to remain in job
10	–	OBF outcome is cost-effective compared with existing approaches	Job seeker continues in job beyond six months (OBF outcome period) compared with non-OBF participants	Programme impact high

2.3 Methods

The emphasis in Stage 1 was on understanding how OBF is implemented and operates; for this reason, the following two methods were chosen:

- limited literature review of evaluation information on Job Network, Australia, Employment Zones, UK, and relevant studies in New Zealand (Internal)
- qualitative interviews (Internal/External).

Individual interviews were used as the main technique for gathering qualitative information from a range of key stakeholders. These stakeholders included job seekers, MSD staff, providers and employers. In a few instances while interviewing MSD staff, paired interviews and focus groups were also used. The questionnaires were open-ended.

Stage 2 of the evaluation focused on estimating impact and whether OBF was cost-effective. Estimation of impact was based on the counterfactual approach – what would have happened to participants in the absence of the programme. This was measured by using a comparison group of non-participants who have similar observable characteristics to the participants, with the assumption that, except for participation in the OBF pilot, participant and comparison groups are identical. The implications of any violation of this assumption are covered later in the report.

A quasi-experimental design using a propensity score method was used for matching participants with comparison group members. This enabled a pre-programme comparison group whose profile matched the participants most closely in terms of propensity to participate in the programme. Labour market status of both groups was tracked from 12 months prior to programme entry date to a year after programme completion. Observed difference in mean outcomes between the participant group and the comparison group constituted the impact of the programme. A detailed explanation on how this model was developed, the impact measures used and how the associated costs and benefits of OBF were calculated is covered in a separate Methodology report.

2.4 Evaluation findings

This section outlines the key findings of the final stage of the evaluation. The information provides an overview of key implementation aspects including selection, incentives, nature of activities on participants' outcomes, programme impact and the cost-effectiveness of the overall OBF approach.

2.5 OBF implementation

OBF operational details (including target group, selection and what departmental employment assistance participants could not access) were finalised by July 2001. There was no expectation in the contract about the service content that providers would offer participants other than suggestions and safety provisions for service delivery. The first pilot programme commenced a month later and most programmes finished in December 2002.

2.5.1 Target group and providers

The initial scale was 1,000 participants in eight regions with an estimated budget of 3–5 million dollars, but the numbers were reduced to about 500 participants in five regions with proportional scaling down of the budget to about 2.3 million dollars. Regions were approached and some volunteered to participate in the pilots.⁵ Regional offices identified established and viable providers for expressions of interest. Choosing established players was an explicit consideration of the pilots since there was no emphasis on capacity building. Placement numbers and specific target groups were based on assessment by Regional Contract Managers of provider capacity to manage client numbers, and undertake and deliver outcomes, as well as budget constraints and relative difficulty of client group. Provider input was mainly in determining the maximum number of participants they would take under the contract.

Providers were diverse, with some being large Private Training Establishments (PTE) located in several sites and mainly offering training courses and job brokering and others being small or medium-sized providers located mostly in one region and offering a mix of services such as accredited courses, personal development, vocational rehabilitation, job search training, job brokering and in-work or post-placement support (PPS). There were also some community-focused organisations.

Table 2: Providers by background, target group and number of participants

Provider	Target group	Maximum participants	Actual recruitment
A1	General, 26–103 weeks	100	91
B1	General, 26–103 weeks	50	25
B2	Pacific peoples, 26–103 weeks	50	55
B3	Māori, 26–103 weeks	50	45
C1	Māori Youth (under 24), 26–103 weeks	20	20
C2	General, 26–103 weeks	50	53
D1	General, 52–103 weeks	50	5
D2	Youth (under 24), 52–103 weeks	30	30
D3	Māori, 52–103 weeks	20	0
E1	General, 26–103 weeks	70	69
Total		490	393

Some providers had experience in running quasi-OBF⁶ programmes where payments were made for activity plus employment outcome.

⁵ Under the concept of Regional Flexibility, individual regions have more discretion over how they allocate their funding for the delivery of employment assistance. In this context, regions had to consider OBF as a suitable and viable way to provide employment assistance to their clients.

⁶ These are contracts for employment assistance where there is a bonus paid for the achievement of outcomes by participants. They are different from OBF in that most of the cost of the programme is paid up-front and providers do not have any flexibility over the assistance that they provide.

2.5.2 Understanding of OBF

Interviews with both Work and Income staff and providers revealed limited understanding of the underlying principles of OBF and what was communicated to those responsible for the delivery of the OBF focused on operational issues. Misunderstanding was most clearly reflected in two aspects.

The first was the general view among Work and Income case managers and providers that the outcome price was above the level of effort required. This in part was due to almost all providers and Work and Income staff seeing the price in terms of a per-participant fee rather than a per-outcome fee. Usually the fee was thought to be calculated on the basis of benefit or training expense per week over a 26-week period, even though no such information was communicated to them.

Secondly, both Work and Income staff and providers considered OBF to be a placement service first and foremost; in very few instances were activities designed to address more significant employment issues considered as part of OBF. For example, some service centres wanted providers to rush their placements or require providers to show evidence of securing vacancies before making referrals. This is also corroborated in the views of participants who understand it mainly as providers facilitating a job, sometimes through one-to-one assistance.

Both of these perceptions of OBF had implications for the way in which the pilots were implemented, but also on the likely macroeconomic impact of the programme.

2.5.3 Referral and selection of participants

2.5.3.1 Selection

Some of the general referral issues anticipated during the early implementation phase were determining:

- the mix of hard-to-place and easy-to-place job seekers
- how many job seekers to refer at a given time
- how much information to share with providers
- whether centres should replace a job seeker who quit after joining the programme.

However, once target groups and eligibility criteria were set for each pilot site, management of referral was left to the individual centres and respective regional offices.

At any participating service centre, the number of eligible job seekers exceeded the number of placements. Therefore, it was necessary to select participants from this group. The qualitative evidence indicated that participant selection was influenced by a combination of case managers, participants and providers. Clearly, each group had different motives in the selection process.

The motives of providers reflected the structure of the payments tied to employment milestones and consequently their view of OBF as being primarily about placements. The message from providers to service centres was to send people who were “work ready” and avoid referring those with serious barriers such as health, drugs, convictions or need for extensive training, or those over 55 years of age. In addition, most providers did not consider it their role to deal with those unwilling to work. While it was intended that providers could not refuse anyone that was referred to them, a small number of referrals were rejected on the grounds that the job seeker was

unable to work (eg through sickness or pregnancy). On the other hand, some providers took referrals with whom the centres found it difficult to work (eg those with criminal records or belonging to gangs).

Participants volunteered for the programmes based on accounts heard from friends on the programme or from case managers while at the service centre for other purposes. While case managers could not force participants to go onto OBF, the threat of applying sanctions was sometimes used⁷.

The behaviour of case managers towards participant selection was the most complex of the three and the one that varied the most between individual case managers. At one extreme, case managers referred hard-to-place job seekers, as they considered providers to be well paid (in part, by interpreting the price as a fee-per-participant) and saw no point in sending those that work brokers could place easily. Likewise, some case managers thought providers had to motivate clients who had no willingness to work, as OBF compensated providers for this. At the other extreme, case managers saw OBF providers as acting in a complementary manner to Work and Income work brokers and chose to send job seekers who were work ready, requiring just a bit of support and facing no major employment barriers.

This final stage of the evaluation examines the effect of these practices on the selection bias of participants and is covered in detail in Section 2.7. It appears that centres had referred the hard to place among eligible job seekers.

2.5.4 Incentives

In the absence of a known marginal cost for placement, a fixed fee was set by the project team in MSD. The purpose of payment was based solely on outcomes, rather than participation, and was structured around various stages of outcomes to motivate providers to engage in sustained effort in moving participants into sustainable employment. Sustainable employment, in this case, was defined as being in full-time employment for six months. How well the notion of outcome pricing was understood and how this may have impacted on provider behaviour is described below.

⁷ This was a perception of some job seekers as well as the explicit message given by at least one case manager.

2.5.4.1 Setting the price

One of the recurring themes from the evaluation was the difficulty people had in working with a price per outcome rather than a price per participant. This was apparent in setting the original price. In developing the OBF pilots, an example was given of how the outcome price could be calculated, based on an assumed amount of effort to achieve an outcome and the expected proportion of participants who would achieve that outcome as a result of the assistance. The example was as follows:

$$Po = \frac{C_{pp}}{O_{base} * I_{expected}} = \frac{26wks * \$100 \text{ per week}}{40\% * 1.25} = \$5,200$$

Where: Po = Price per outcome
 C_{pp} = Expected per participant cost of providing assistance over contracted period
 O_{base} = Outcomes if participants had not participated
 I_{expected} = Expected impact of the assistance on base outcomes (O_{base})

The expectation was that each region would determine the level of cost that they considered reasonable, the expected outcomes of the eligible population in the absence of the programme and the impact the programme would have on outcomes. In practice, all but one region adopted the price derived in the above example as the “OBF price” – \$5,200. The only region to vary from this price did so because they already operated an OBF contract with the provider and had previously set the price per outcome at \$2,600.

Regions were given the choice to fix enrolment fees and one-month outcome fees from the following range: 10–20% and 20–30% of total payment. Three-month and six-month outcome fees were each expected to be weighted around 30% of total payment. Within this guideline, final weights for the four payments were left to regional offices to negotiate with providers. The final payment was structured (see Table 3) to roughly keep with a 15:25:30:30 split. Only the provider who had lower outcome payments had the one-month and three-month fees set at 36% and 22%.

Table 3: Split fee structure with varying weight

Providers	Enrolment fee	One-month outcome fee	Three-month outcome fee	Six-month outcome fee	Total payment amount
A1	14%	36%	22%	28%	100%
D2	11%	22%	33%	33%	100%
E1	15%	25%	30%	30%	100%
Others	20%	20%	30%	30%	100%

The enrolment fee was usually paid as a bulk fee against maximum participant numbers specified in the contract. The funding source for 40% of the total payment (usually enrolment and one-month outcome fees) was D2-Contracted Services and the balance of 60% was funded from Crown-Subsidised Funds (between three-month and six-month outcome fees).

2.5.4.2 Outcome time frame

The six-month time frame for OBF was twice that of the normal outcome period used in measuring the performance of Work and Income services. This was intended to give providers the incentive not only to place participants but also to ensure that the placement was sustainable. Providers were given a nine-month window, which was considered long enough to offer assistance that would help participants achieve sustainable job outcomes.

In practice, the inclusion of the six-month outcome did not appear to influence provider behaviour. There was little evidence of increasing the skills of participants to secure better paid and more sustainable jobs, while post-placement support was primarily confined to the first month after placement. The attitude of providers appeared to be that if the placement and initial transition to employment were successful, then the achievement of a six-month outcome would be a result of that upfront effort. In addition, although provision was made that providers could place someone back into employment if the initial placement failed, it appeared few providers were willing to make this re-investment. This reinforced the view that the six-month and, to a lesser extent, three-month payments were regarded as being a bonus payment for initial work, rather than an incentive to actively support participants in employment for the whole six months.

Each participant did not have up to nine months for pre-placement assistance. This seems to have occurred because the nine-month window was not pegged to individual participant start dates but to the overall contract start date. However, providers in many instances had at least six months to work with, as recruitment was completed within the first few months in most sites. Even if providers had accepted a nine-month pre-placement window for each participant, it is doubtful if it would have made any difference to the nature or duration of pre-placement assistance.

2.5.4.3 Price per participant/price per outcome

Most providers felt that the price was fair and reasonable and perhaps more than anticipated, while Work and Income staff thought the price was too high. The fact that both these groups considered the price to be too high may, at least in part, reflect the misapprehension of this as a per-participant fee. From the provider's perspective at least, this may also be linked to the very optimistic perception of the types of outcomes they could achieve. At the start of the OBF programme, providers had high expectations of the outcomes they would achieve – the most conservative estimate was 60%, while many expected close to 100%. On the other hand, limited communication about the underlying concept of OBF to frontline staff may have meant that case managers were unaware that the contracted price was on a per-outcome basis. Whether better communication would have produced a different attitude and set of behaviour from case managers is dealt with under Section 3, "Discussion".

Despite the price per outcome, providers continued to operate on a nominal price per participant. For example, some providers considered the upfront fee⁸ (essentially a per-placement fee) to be too low given that this is where they placed most of their effort. This reflects the natural tendency for providers to reduce their financial risk by arguing that they provide this assistance irrespective of whether the participant receives an outcome, rather than recognising that the outcome payments for successful participants is intended to also pay for assistance given to those less successful.

⁸ 10–15% of total contract money received as upfront fee.

This desire by providers to reduce their risk and increase their financial return manifested itself in several ways, including in the type of assistance offered to participants.

2.6 Nature of OBF assistance to participants

The nature of activities undertaken by providers can largely be characterised as job search/matching assistance. The overall pattern was for the providers to focus on matching the participants to employment opportunities rather than build labour capacity through formal training. Providers wanted to get it right the first time to avoid having to deal with job seekers again and incur extra costs.

Providers generally undertook individual assessment of participants' interests, employment histories and barriers to work. Pre-employment activities centred on job search activities (eg CV preparation, interview skills and identifying potential employers) and covering incidental costs (eg shoes, clothes, petrol and telephone cards). Once in employment, post-placement support included periodical calls from the provider, help with contract clauses and tax issues, and covering costs for transport or late payment by employer.

2.6.1 Innovation in employment assistance

There appeared to be limited innovation by providers in the assistance that they gave to participants. Some providers did offer assistance that was different to what participants may have already experienced but such practices were not widespread. However, what tended to distinguish provider behaviour under OBF was that assistance was more tailored to individual participants. Examples included: picking up and dropping off participants at home, flexible meeting times and locations (eg home, office, cafe), attending interviews with job seekers, covering costs for driver licences, work-related equipment, specific job-related certificate courses or up-skilling, liaising with other service agencies.

2.6.2 Post-placement support

Although providers had an interest in maintaining participants in sustainable employment to secure three-month and six-month payments, post-placement support was not a significant part of OBF. Post-placement support tended to occur within the first month of employment, and mainly involved the provider checking how the participant was going and whether they needed further assistance. Most participants and employers were positive about providers having an ongoing interest in the person's progress.

2.6.2.1 Individualised assistance

OBF providers had considerably lower case loads than Work and Income case managers, with the ratio varying roughly at 1:20–30 for providers compared with 1:150–200 for case managers. This allowed OBF tutors or co-ordinators to spend more time with participants on a one-to-one or small group basis and enabled providers to be more responsive to individual clients, eg by having regular contact as well as operating "open door" policies that allowed participants to visit at their convenience. Participants were very positive about any individual attention they received, particularly if the co-ordinator was considered to be good. However, policies such as the open door one tended to occur more with the smaller providers, with the larger providers being more likely to have fixed contact times. Finally,

providers were quite active in making contact with participants (eg phoning them on a regular basis to see how they were getting on), both before they moved into work and in the initial period after moving into employment.

2.6.2.2 Duration of assistance

According to the qualitative evidence, the duration of pre-placement assistance could range from one day to six months and frequency of contact from once to several times a week, either in person or by telephone. The quantitative analysis showed (as in Table 4) that, on average, participants spent about two months during pre-placement whether they had achieved an outcome or not.

Table 4: Average time on pre-placement

Outcome	Participants	Average pre-placement duration	Post-placement duration	Adjusted average duration
No Outcome	128	64		–
Outcome Any	179	60		–
One month	39	21	31	52
Three months	26	67	91	158
Six months	114	54	181	235

Post-placement support was indicated in the interim report as being limited to a participant's first month in work. However, this was not possible to verify in the quantitative analysis. For the purpose of the cost-effectiveness analysis, the outcome duration (one, three and six months) was treated as the default duration for support time given by providers.

2.6.3 Relationships

The formation of sound relationships between providers, Work and Income staff, participants, employers and other service agencies was a key aspect underpinning the whole OBF approach. Evidence on the nature of these relationships as well as the barriers and drivers for these relationships is detailed below.

2.6.3.1 Work and Income and providers

The relationship between Work and Income staff and providers existed at two levels – regional office and individual centres.

The relationship with regional office was usually smooth, as evidenced in the contracting process itself and in the use of the regional office as a last resort for the resolution of any operational issues that arose between centres and providers.

The relationship between providers and centres was more varied and was subject to several issues and problems. As discussed in Section 2.5.3, the referral was one of the most important relationships between providers and individual centres. Differences in expectations over the type of job seekers suitable for the programme was an important issue, and there were also practical issues (such as how well clients were briefed on the programme, the provision of correct client information, gaps in the information loop, and perceived competition with work brokers from providers), as well as policy and delivery differences.

Sites where relationships were more successful were characterised by:

- agreement between centre and provider on the referrals process

- regular sharing of information by providers – ongoing contact with centres and provision of regular feedback on participants (both good and bad)
- a prior relationship between both parties
- providers adapting to the needs of centres
- the ability of the provider to achieve outcomes
- case managers being motivated to make referrals in order to get performance credits for successful referrals and outcomes
- Regional Contract Managers being available to resolve issues at the case manager–provider level.

2.6.3.2 *Work and Income and job seekers*

The relationship between Work and Income staff and job seekers was as envisaged. There was no contact between case manager and participant after their successful referral to the programme. The only exceptions to this occurred where benefit inquiries were involved or if there were issues with the provider.

2.6.3.3 *Providers and participants*

For participants, perhaps the most important factor of OBF was the motivation and support that they received from tutors or co-ordinators.⁹ Some participants liked the structure and direction the programme offered. The low case loads, relative to what an MSD case manager faces, means that the provider is able to give quite intensive assistance. However, the types of relationships that emerged varied according to the attitude of both the co-ordinator and the participant. In several instances, participants were made to feel uncomfortable by their co-ordinator's attitude or by being required to undertake activities (eg cold calling) that they did not want to do.

Other examples of specific issues identified by participants included:

- the co-ordinator not being available and accessible
- the co-ordinator not telling participants what activities or daily routine was involved for OBF
- the co-ordinator not sticking to agreed structured activities or time frames
- the participant being left alone for long periods or being taken to interviews without being able to prepare
- the negative effect of taking the momentum out of the job search process
- the participant not being provided with NZQA units/training as promised
- the provider thinking predominantly about training
- the provider's lack of familiarity with the local labour market
- the provider finding jobs poorly suited to the participant (eg skills, capability or interests) and pressuring the participant to take them up
- the reclaiming of any work gear that was supplied if employment did not last for six months
- providers not confirming job loss through redundancy (as opposed to resignation), as required by Work and Income.

⁹ Job Network evaluation by DEWRSB, 2000 reported that “the most common forms of assistance were personal support, such as meetings between job seekers and provider case managers or other provider staff”.

2.6.3.4 Providers and employers

In those instances where the job seeker self-placed into work, there was hardly any provider–employer contact. Where such contact did occur, it could be characterised in two ways:

- providers seeking employers actively and forming business relationships
- employers looking to providers as preferred sources of labour.

For most providers, the former was the more common arrangement. Some providers seemed to work from the employer end and therefore were seeking clients who fitted a specific vocation or simply lining up job seekers to bulk vacancies already secured (eg group interviews with a single employer). Employers seemed satisfied with the quality of job seekers providers referred. Some of the issues that providers faced with employers were expectations of wage subsidies and employers not keeping job seekers for an agreed minimum period.

2.6.3.5 Providers and other agencies

The majority of providers had little interface with other agencies, although they were aware of the range of services available. In some instances, external agencies were contracted to provide personal development or vocational assessment. However, providers typically saw themselves as a one-stop shop, with in-house capacity. This reflected their unwillingness to spread resources with a view to minimising costs. A few providers also saw some risk in sending clients to other agencies. A fuller career picture given by specialist career counselling prompted a sizeable number of participants to move into full-time training in one site, and, in another, a provider perceived that another agency may dilute the job search momentum they had built.

2.6.4 Payment process for providers

There did not seem to be any issues with the payment process itself. Providers would send invoices to the regional office, which would check if the benefit had been stopped and then make the payment.

However, a few participants reported difficulty in accessing benefit assistance if they returned to the benefit. These participants felt that case managers would not re-instate the benefit until they had received confirmation from the provider on job loss. This would appear to place the participant at some risk, as the provider does not have a strong incentive to confirm job loss if it means that they are not likely to receive financial payments. This could be accentuated where participants reported they were pressured into taking employment poorly suited to their skills and abilities. If participants leave such jobs, then they can face a 13-week stand-down period before they receive the benefit.

Overall, about \$977,000 was spent on bulk enrolment and individual outcome payments. According to regional office payment records, providers received outcome payments for 250 OBF participants. Payment for outcomes was based on confirmation of exit from core benefits and showed 145 participants had recorded a six-month outcome.

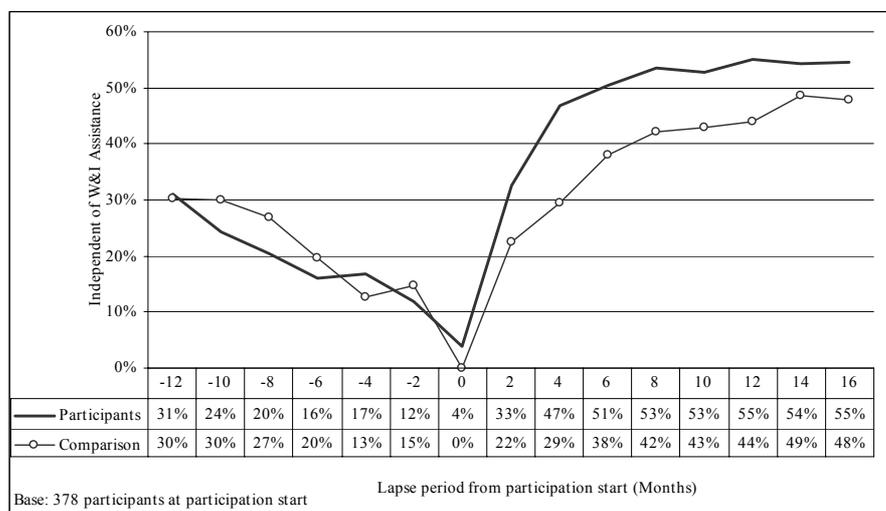
2.7 Outcomes and impact

The focus of Stage 2 of the evaluation was to gather quantitative evidence on the outcomes achieved by participants within the OBF approach. This is only a part of the evidence required to determine the full impact of OBF on the outcomes of job seekers (ie microeconomic effects). The empirical analysis in the following section, as well as the cost-effectiveness analysis that follows, examine the effects of OBF on participants and does not estimate the effects of OBF on non-participants' outcomes. The question of the effectiveness of OBF at a macroeconomic level will be covered in Section 3, "Discussion".

The key question in the evaluation was whether or not OBF had a positive impact on participants' outcomes.

Figure 1 shows the outcomes of OBF participants and those of a matched comparison group. The outcome indicator used in this part of the analysis was based on whether a person was independent of Work and Income assistance. Work and Income assistance includes receiving a core benefit or participating in a specific employment programme. If a person was not receiving a core benefit and not participating in an employment programme, they were considered independent of Work and Income assistance. The difference in outcomes between the participants and their comparison group provides an estimate of the impact of OBF on participants' outcomes. The outcomes of the comparison represented the estimated counterfactual of the outcomes that the participants would have achieved without OBF.

Figure 1: Outcomes for OBF participants and matched non-participants



Looking at the outcomes of participants, the impact of OBF appears to occur soon after their referral to the programme. At six months from participation start date, 51% are independent of Work and Income assistance. However, this proportion levels off over the following six months, during which there is an increase of only four percentage points.

The outcomes of the matched comparison group closely follow those of the participants in the 12 months prior to participation in OBF (lapse period 0 in Figure 1). In the first six months after participation start date, the outcomes of the comparison group are well below those of the participants – at six months, the difference is 13 percentage points (38% versus 51%). However, unlike the

participants' outcomes, the outcomes of the matched comparison group increase at a faster rate during the 6–12 month period, narrowing the impact of the programme at 12 months to 10 percentage points. OBF, consistent with most employment placement programmes¹⁰, has a strong short-term positive impact that slowly diminishes over the medium to long term.

This impact can be represented in terms of an impact ratio (see Table 5) using a point in time measure. Where the impact ratio is equal to one, then the two probabilities are identical. A value below one would mean that participation decreases the probability of being independent of Work and Income assistance compared with non-participation, while values greater than one indicate the reverse. The ratio is the change in probability of being independent of Work and Income assistance between participation and non-participation. For example, a ratio of 1.5 means there is a 50% increase in the probability of being independent of Work and Income assistance if the job seeker had participated versus not participating, all else being equal.

Table 5: Outcome and impact estimates of OBF

Group	Lapse period form participation start date (months)						
	2	4	6	8	10	12	14
Participant Outcomes	33%	47%	51%	53%	53%	55%	54%
Non-Participant Outcomes	22%	29%	38%	42%	43%	44%	49%
Impact ratio (N: 756)	1.45	1.59	1.33	1.27	1.23	1.25	1.11

Outcome measure: proportion independent of Work and Income assistance at each lapse interval.

Impact measure: propensity matched comparison group.

P values of the impact ratios.

The impact ratio was highest at month 4 at 1.59 and reduces to 1.25 at month 12. This means that, at month 4, participants have a 60% greater likelihood of being independent of Work and Income assistance than the comparison group, but this reduces to 25% at month 12. At month 14, with an impact ratio of 1.11, the programme continues to have a positive effect, which indicates that the programme has an enduring but diminishing impact on participants' outcomes beyond the time frame of this study. In other words, it appears that OBF accelerates participants' movement off Work and Income assistance, but this assistance may not result in a permanent gain in outcomes over what would have been expected in the medium to long term.

It is important to emphasise that these estimates of OBF impact require the assumption that there are no differences between participants and the comparison group other than their participation in OBF. The methodology used to construct the comparison group relied on information on observable (to the evaluator) characteristics to match each participant to a non-participant with similar observable characteristics. The assumption is that, through this process, differences in unobserved characteristics will also be small, but there is no way to confirm whether or not this assumption holds. The implications of the unobserved selection bias¹¹ are covered in Section 2.7.2.

¹⁰ See, for example, the August 2003 half-yearly report on MSD employment programme effectiveness.

¹¹ Selection bias refers to the degree participants differ from the eligible population. In general, the debate centres on whether characteristics unobserved by the evaluator form the basis of the final selection of the participants. If these unobserved characteristics are both important and uncorrelated to observed characteristics, this makes the construction of a comparison group very difficult in the absence of an experimental design.

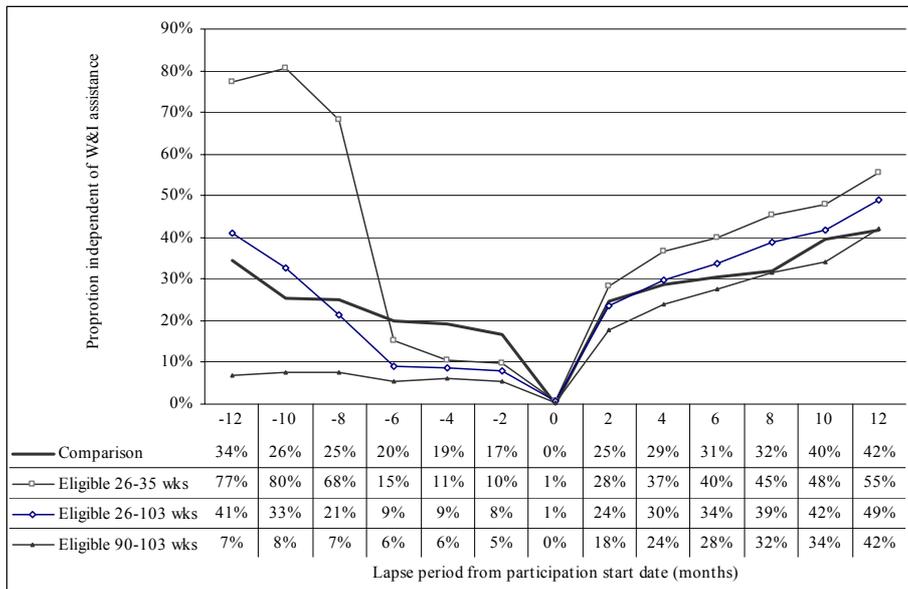
2.7.1 Referral bias

As discussed in Section 2.5.3, the qualitative evidence suggested that case managers, participants and providers each had different motives in the referral process. The overview was that:

- providers were looking for those who were work ready
- some participants self-selected while some felt coerced into going on the programme
- case managers, depending on their understanding of OBF, varied in their referrals from the hard-to-place to the work ready.

Comparing the characteristics of the OBF participants with the eligible population does not appear to support this finding, with a high proportion (87.6%) of participants being within the eligibility criteria (unemployed for 26–103 weeks and above) (see Appendix 1). However approximately 12.4% of participants had register durations under 26 weeks, which would indicate that these people would be more easily placed than the eligible population. A more formal examination of the outcome probabilities of participants is to look at the outcomes of the comparison group. Since the comparison group represents the estimated outcomes of the participants without OBF, it can be argued that the outcomes of this group relative to the eligible population provide an indication of whether there was any observable bias in which eligible job seekers were referred to OBF.

Figure 2: Pre- and post-intervention outcomes for eligible job seekers and comparison group



Outcome measure: proportion independent of Work and Income assistance at each lapse interval.

Impact measure: propensity matched comparison group.

Figure 2 shows the proportion of the comparison group independent of Work and Income assistance and compares this with the outcomes of job seekers within the eligible population for OBF¹². Also shown are two subgroups of the eligible population: those unemployed 26–35 weeks (representing the most easily placed of the eligible population) and those unemployed 90–103 (the most difficult to place).

¹² The eligible population was defined as those who met the specific eligible criteria in each of the participating regions (see Table 2).

In the 12 months prior to selection, members of the comparison group were less likely to be dependent on Work and Income assistance than the eligible population. This reflects the tendency to refer participants who fell outside the eligible population, namely those with register durations less than 26 weeks. However, despite this observed referral bias towards short-term unemployed eligible job seekers, the outcomes after selection into the comparison group indicate an overall observable negative selection bias. Over the 12 months after being matched to the participants, the comparison group had outcomes below the mean outcomes of the eligible population. At 12 months, 42% of the comparison group were independent of Work and Income assistance, which was the same as the outcomes for those eligible job seekers who had been registered unemployed for 90–103 weeks.

2.7.2 Unobservable selection bias

The estimation of programme impact is based on the assumption that controlling for observable differences is sufficient to ensure that the outcomes of the matched comparison group is an accurate counterfactual for participants' outcomes. The general view is that such an assumption is unlikely to hold in practice and there are some unobserved differences between participants and the matched comparison group that affect their respective outcomes. This will affect the above findings in a number of ways.

The observable selection bias discussed in the previous section indicates that participants were more disadvantaged in the labour market than was average for the eligible population. In other words, there was a negative observed selection bias. It is important to ask if unobserved selection bias accentuates or mitigates observed selection bias. If there is positive unobserved selection bias, then the true impact of OBF would be smaller than reported here, but if unobserved selection bias is negative, then the true impact would be greater than reported. At present, it is not possible to determine which of these scenarios is more plausible, but it is important to bear in mind that the impacts provided in this report are only estimates and may differ from the true impact of the programme.

2.8 Cost-effectiveness/Cost-benefit analyses of the OBF approach

Having estimated a positive impact of OBF on participants' outcomes, the next question for the evaluation was whether the programme was cost-effective.

2.8.1 Cost-effectiveness analysis

Analysis of cost-effectiveness focuses only on the costs of alternative strategies to achieve a commonly agreed outcome. The assumption the analysis makes is that there is no dispute over the benefits of a given policy strategy. Therefore, the purpose of the exercise is to determine the least costly approach to achieving them.

In the analysis of employment programmes, the alternative option is defined as not providing the programme. This means that analysis of programme impact, and by extension cost-effectiveness, is the effect of the programme relative to the level and mix of programmes and services participants would have received in the absence of the programme. In this sense, the estimates of cost-effectiveness for OBF represent the marginal gain of this assistance over a given background level of employment assistance. OBF is the additional expenditure over and above a given level of assumed employment expenditure and so the cost referred to here is the marginal cost of the programme.

The cost-effectiveness ratio (CER) was derived using the equation below:

$$\text{CER} = \frac{\text{Net outcomes}}{\text{Net cost}} = \frac{\text{Participant outcomes} - \text{non-participant outcomes}}{\text{Participant costs} - \text{non-participant costs}}$$

The following discussion outlines the steps taken to determine each component of the above equation before calculating the final estimates of cost-effectiveness.

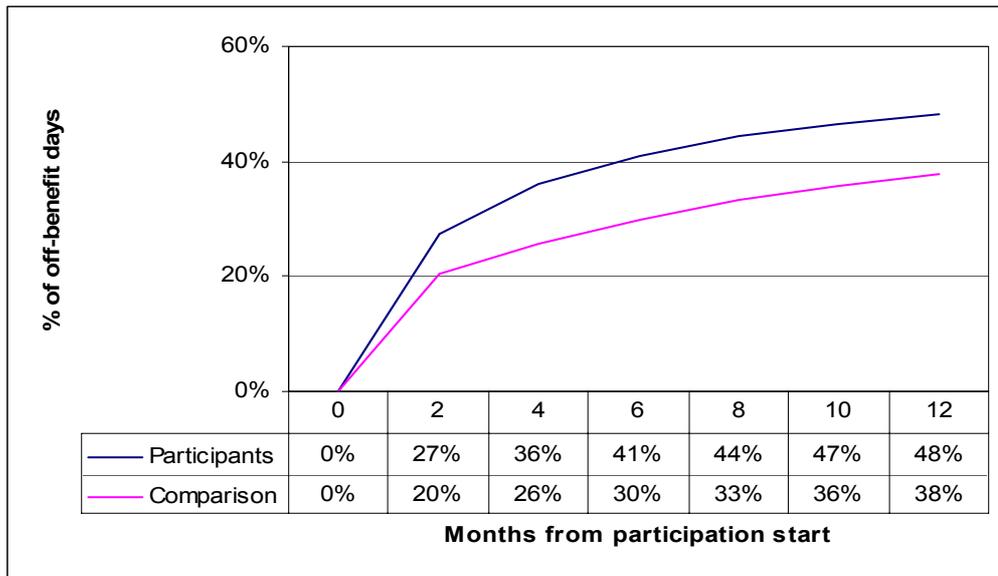
What is not covered in the above equation is the change in costs and outcomes of non-participants affected by OBF. This means that the cost-effectiveness presented in this section is focused only on the effects that OBF has on participants and all the costs and benefits are those incurred by the Government specific to the participants – broader individual or social costs are not considered. These issues will be addressed in the discussion.

2.8.2 Net outcomes or impact

In this part of the analysis, the outcome indicator used was time spent “on-benefit” (“off-benefit”) over 6 and 12 months from participation start date. Impact is the difference in time spent off-benefit for the participant and the matched comparison group. The off-benefit measure used here differs from the independence of Work and Income assistance measure mentioned above in two important respects: the first is that it only measures time spent on-benefit and ignores any time that a person may receive employment assistance¹³ and non-income assistance; the second difference is that it calculates the total number of days spent off-benefit over different lapse periods, instead of measuring the proportion of participants who are off-benefit at given lapse periods.

¹³ The provision of employment assistance is counted as a cost rather than an outcome in the analysis.

Figure 3: Off-benefit outcomes – cumulative measure



Outcome measure: proportion of time spent off-benefit between start date and each lapse period.

Impact measure: propensity matched comparison group.

Figure 3 shows the proportion of time spent off-benefit between participation start date and each lapse period for participants and the matched comparison group. For example, over the 12-month period from participation start date, participants spent an average of 48% of the time off-benefit, compared with 38% for the comparison group. Converting these percentages into days off-benefit, participants spent 176 days off-benefit over 365 days compared to 136 for the comparison group, a difference of 40 days (see Table 6). It is this difference in time off-benefit that is the impact of OBF. Participants' spending 40 fewer days than comparison group members on-benefit over 12 months shows a positive impact as a result of OBF participation.

Table 6: Average time off-benefit (days)

Strategy	Over 6 months	Over 12 months
OBF participants	74	176
Comparison group	52	136
Impact	22	40

Outcome measure: Number of days spent off-benefit between start date and each lapse period.

Impact measure: propensity matched comparison group.

2.8.3 Cost of participating in OBF

Costs of employment assistance (both OBF and non-OBF) are shown in Table 7. Costs for both groups included all costs of employment assistance while the participants were on the programme. Table 7 indicates that, while on OBF, participants incurred \$2,589 in employment assistance. The counterfactual cost estimate, based on the comparison group, was \$1,814. This gives a net cost of \$775 (2,589 – 1,814) of participating in OBF compared with not participating.

Table 7: Employment costs for OBF participants and matched non-participants

Costs	Comparison			Participants		
	N	Total	Average	N	Total	Average
Non-OBF costs	380	\$685,668	\$1,814	380	\$123,560	\$325
OBF costs	380	\$0	\$0	380	\$860,370	\$2,264
Total costs	380	\$685,668	\$1,814	380	\$983,930	\$2,589

2.8.4 Cost-effectiveness ratio

Having calculated the net outcomes and net cost of OBF, it is easy to derive a ratio of cost to outcomes (see Table 8) at 6 and 12 months. At 6 months, the net cost per impact was \$35 for each day off-benefit; this ratio falls to \$19 per off-benefit day after 12 months.

Table 8: Cost-effectiveness of OBF

	Total cost	Days off-benefit over 6 months	Days off-benefit over 12 months	CER at 6 months	CER at 12 months
Participant	\$2,589	74	176		
Comparison	\$1,814	52	136		
Net	\$775	22	40	\$ 35	\$19

A cost-effectiveness ratio of \$19 at 12 months means that it cost \$19 for each extra day that participants were off-benefit as a result of OBF. The problem with this measure is that, without any comparison values, it is difficult to state the relative cost-effectiveness of OBF. Since this is one of the first evaluations by MSD to estimate the cost-effectiveness of employment programmes, it will take some time before suitable benchmarks exist on the relative cost-effectiveness of employment programmes. For this reason, the evaluation also undertook a limited cost-benefit analysis to provide an internal value of this intervention to Government.

2.8.5 Cost-benefit value

Cost-benefit analysis is an alternative approach that places a dollar value on all benefits of an outcome and finds a net benefit value. Of the two approaches, cost-benefit analysis is more complete in assessing the relative merit of alternative policies or programmes and does not rely on comparisons with other interventions. However, the limitation of cost-benefit analysis and the predominance of cost-effectiveness is the difficulty in measuring the benefits of outcomes, especially in the social sector where there are a large number of spill-over effects.

Placing a value on employment outcomes is therefore difficult. In this instance, the value of employment includes only avoided income support costs as a result of the participant moving off-benefit – in other words, stating the reduction in time on-benefit in terms of the fiscal cost to government. According to the measure, participants on average incurred \$408 less in income assistance at 6 months and \$698 less at 12 months than the comparison group.

Table 9: Cost-benefit analysis

	Cost	Benefit		Cost-Benefit	
	Total cost	Income support over 6 months	Income support over 12 months	Net benefit at 6 months	Net benefit at 12 months
Participant	\$2,589	\$2,111	\$3,835		
Comparison	\$1,814	\$2,519	\$4,533		
Net	\$775	-\$408	-\$698	-\$367	-\$77

Over 12 months, the net benefit of using the OBF approach was found to be negative at \$77 per participant (95% CI: -\$1,067, \$913), but as the confidence intervals show, not statistically significant at a 95% confidence interval. This suggests that the benefits of OBF, as measured in the analysis, have not exceeded the costs after 12 months. However, since OBF still has a positive impact at 12 months, the benefits of the programme have not been fully incorporated into the analysis. This means that the net benefit of the programme will become positive over time, but it may not become statistically significant.

3 Discussion

OBF was about trialling a non-prescriptive approach to delivering employment assistance where providers are free to choose any mix and level of assistance they deem appropriate to achieve sustainable employable outcomes. This non-prescriptive or black box approach was reinforced by incentive payments being made when participants reach specified employment milestones. The key objective for the pilots, and, in turn, for the evaluation, was to find out if this approach works in practice in the New Zealand context and, if so, whether it is cost-effective.

3.1 How OBF worked

3.1.1 Key risks and assumptions within OBF

Prior to implementation, a suggested risk management strategy was outlined to ensure the pilots were able to test the policy intent. These included:

- careful specification of outcomes to minimise perverse incentives (eg no reward for placements that end within a very short period) and thus to promote sustainable employment (ie six-month full-time employment outcomes were specified and the off-benefit measure was accepted as a strong proxy)
- spreading some of the risk between Work and Income and providers through the fee structures (eg through balancing up-front fees for service with payments based purely on outcomes) – therefore, 80–90% of the total fee was tied explicitly to achievement of outcomes and the balance to enrolment/administration (again, more an advance towards achievement of outcomes)
- in the absence of a known marginal cost for placement, fixing a single outcome fee for most sites based on a minimum 25% impact for participants
- choosing only viable and established providers, and placing careful emphasis upon them having a good financial base and an existing positive relationship with Work and Income¹⁴
- management of obligations was through a legal agreement or contract with providers (eg monitoring, support and oversight), which was to stipulate a minimum standard of conduct and include suggestions for service content, safeguards for service delivery and monitoring
- completing a two-phased evaluation (process and impact) of the OBF pilots within the specified time frame, answering key questions.

At an implementation level, the following risks emerged.

- **Communication about outcome fee concept prior to launch:** A clearer message to providers and Work and Income staff about how the outcome fee is derived and is expected to work for providers may have avoided the misconception about the higher price as well as directed strategies that would have meant providing varying levels of assistance to different job seekers. The outcome fee is not a simple concept and, as the Job Network experience has shown, it is not easy to operationalise. Another aspect that was unclear was the time frame of nine months that should have been available to every participant. However, this is not considered a significant issue since the evidence indicates that, even when this was available, providers did not take advantage.

¹⁴ Transaction cost theory suggests that there is some reduction of “creaming” where a government agency uses providers with which it has a good relationship.

- **“Creaming”**: This was a risk anticipated at the design stage of the pilots. Ideally, a good spread of job seekers from within the eligibility criteria should be referred, which would enable providers to spread their resources according to the level of disadvantage. However, creaming is an operational issue not specific to OBF, and unless there is a random allocation of job seekers to programmes or we have a precise assessment of the jobseeker’s risk, this issue cannot be dealt with effectively. There appeared to be pressure from providers on Work and Income staff to refer job seekers who were work ready – in fact, about 12.4% of participants were from below the eligibility band, ie under 26 weeks on the unemployment register. Why this happened is not known, although some centres may have been stretched to meet referral requirements. A further examination of the total register and benefit history of these participants in the last five years was undertaken, which showed that 56% had received some assistance for over 26 weeks and most for a year or more. It is therefore possible that case managers’ knowledge of the prior history of participants may have led to them ignoring the participants’ current register duration. However, the quantitative evidence suggests that creaming was not significant – based on observed characteristics, participants were referred from among the more difficult to place within the eligible population.
- **“Parking”**: This was not envisaged as a risk at the outset. In the Australian Job Network, “parking” refers to the practice of providers choosing not to invest in a given job seeker based on the assessment that the cost of addressing their barriers is too high. In the OBF case, providers also engaged in a version of parking. While providers had nine months to work with a participant, most provider effort occurred in the first three months after referral. If, after this time, the participant did not achieve an outcome, the level of provider effort appeared to fall away. Like in Australia, providers appeared not to cross-subsidise participants by investing “savings” from easily placed participants into those who were more difficult to place. Instead, providers appear to work with a notional maximum amount of cost to be spent on each participant, suggesting a cost-minimisation approach.

There is no comprehensive information on the extent of this risk. At the early stages of OBF, providers were not sure when they would stop assisting a job seeker if an employment outcome did not occur. One provider, however, stated that if nothing happened on the work front for three months, they would cease working actively with that job seeker. Some felt that they would continue to assist as long as the job seeker required it. Participants noted that they were left on their own if there was no specific work opportunity. Overall, active contact and assistance by the provider seemed to cease when no work opportunity seemed possible in the short term.

3.1.2 Assumptions of OBF

Did the key assumptions behind OBF hold true? The two key assumptions underlying OBF are that:

- linking payments to outcomes gives providers a strong incentive to ensure that the assistance they provide is effective (contracting models that pay on outputs do not provide the same incentive to deliver effective assistance)
- operational flexibility encourages innovation among providers to deliver effective assistance tailored to participants’ needs (this reinforces the incentive for providers to deliver appropriate, as well as effective, employment assistance).

3.1.2.1 *Outcome payments*

The specification of contracts on outcomes rather than activities provides a strong incentive for providers to achieve the contracted outcome. However, the fee-per-outcome approach has several additional effects:

- Providers focus on activities that directly contribute to the outcome (eg job search and placement). The evaluation showed that providers were reticent about undertaking activities that may not guarantee an outcome (eg training).
- Providers become more discriminating about who they will assist. Outcomes can be achieved more easily by those who have a high probability of achieving them. Creaming and parking become significant issues with fee-per-outcome approaches.
- The fee-per-outcome approach does not appear to produce cross-subsidisation behaviour with income from more easily placed used to assist those more difficult clients. Provider effort was shown to be individualised, with a nominal maximum level of effort given to each client. Variation in assistance provided was usually beneath this notional ceiling.

Payment for outcomes is a useful contract delivery tool, but not a solution to determine the appropriate mix of employment assistance for clients.

3.1.2.2 *Innovation*

Overall, innovation was limited and not a significant aspect of OBF. The evaluation did not have a clear benchmark of what would constitute innovation. Job Network evaluation gives the example of providers offering bicycle tyres to job seekers to get over transport problems. Comparable examples in OBF were providers:

- picking up and dropping off participants at home
- offering flexible meeting times and locations (eg home, office, cafe)
- attending interviews with job seekers
- allowing couples to do sessions together if they wanted to
- providing cellphones for participants to keep in touch and, in some cases, to keep if a placement was achieved
- covering costs for driver licences, work-related equipment, specific job-related certificate courses or up-skilling
- providing positive affirmation through a telephone call-in routine
- liaising with agencies such as NZIS, IRD and PD
- opening up office premises close to centres to foster better relations with centres and make it easier for clients to attend activities.

What the evaluation found more prevalent or significant was the individualised manner in which some providers offered the assistance, rather than the assistance itself.

3.1.2.3 *What did we learn about why providers responded in the way they did?*

Providers seem to have responded in three ways:

- those familiar with working OBF-type contracts adapted most easily
- some of those new to the approach attempted to change their programme content and delivery
- others new to the approach continued with a regular per-participant model with fixed outputs.

The main characteristics of providers in the first group were familiarity with outcome orientation, small to medium size, a personal development focus and linkages with the labour market. The second group comprised mostly small to medium-size providers with limited or no outcomes-orientation, but who attempted to adapt to the labour-intensiveness of this individualised approach. The last group comprised large established providers more used to regular training modules.

Therefore, over time, some providers may get better at working within the OBF model, while others may not amend their response unless OBF becomes a significant aspect of their business. This then points to capability and capacity issues for providers in coming to grips with what OBF or any major change involves, how they adapt and why they should choose to adapt.

Linking payments to outcomes was assumed to be an incentive to providers to provide effective assistance. However, assistance was mainly in the form of job search types of pre-placement activities, along with job matching or brokerage. The duration of the assistance was an average of two months, even when more time was available. Post-placement support was limited and, where participants exited from work, providers did little to reconnect them. If providers perceived the outcome fee as fair and reasonable yet stuck to a limited range of assistance options and put most of their effort into the pre-placement stage, then the conclusion appears to be that a graded payment structure with about 85–90% of the fee tied to outcomes does not incentivise provider effort in the way envisaged.

By working with a notional amount of time and money per participant, providers are clearly viewing this as a per-participant cost, rather than an outcome fee. In terms of activity, providers allocated assistance to all participants, but would not invest more than a fixed amount on each participant, which was against expectations. It did not appear that providers adopted more sophisticated strategies in managing participants, such as minimising investment in those that will be placed easily and cross-subsiding to assist those that face greater barriers.

This then raises the question of whether the price may have been a disincentive in the sense that it was above expectation and therefore even a one-month outcome may have been worthwhile for providers. It is possible that the bulk payment towards the enrolment fee added to this notion of a comfortable price to work with. What we do know for certain, however, is that the final cost per outcome of OBF of about \$2,600 indicates that the outcome fee of \$5,200 was on the high side relative to the nature and effectiveness of the assistance that providers offered. At the planning stage, outcome fees based on historical data were estimated in the range of \$2,500 to \$3,000. The final cost per outcome of \$2,600 falls within this range, although it was considered low at the time, as the historical data was not seen as capturing all costs, such as case management. If providers worked with a ceiling amount for assistance well below the total outcome fee irrespective of participants' needs, then a repeat OBF will have to consider reducing the outcome fee.

If providers had understood the outcome fee concept reasonably well, would it have made a difference to the way they allocated resources to different participants? It may have for those who had the capability to deliver assistance in a flexible and individualised manner, but the extent to which it would have occurred is uncertain. Similarly, whether a higher weighting for the six-month outcome payment would have yielded greater effort from providers is doubtful. Raising this weighting from 30% to 40% might alter the nature and duration of effort but whether providers would want to bear this level of risk needs to be verified. Overall, provider behaviour reflects a rational business approach to reduce financial risk.

3.1.3 So what does OBF do?

The types of assistance offered by providers were determined by a number of factors. The fixed time frame for achieving outcomes and the employment-specific contract encouraged providers to focus on achieving placements as soon as possible. Some providers may also believe that engaging in any appropriate work at the earliest opportunity is beneficial to job seekers, helping them gain work experience and improve their career prospects.

Given all the above, what OBF achieved was enhanced job search and placement activities covering the following – vocational and needs assessment, mapping this to available job choices, sometimes personal development and limited and specific short-term training, post-placement support mostly during the initial stage of transition to work and payments for certain incidental costs. These activities appear to have been effectively individualised in some sites through a designated co-ordinator. A key advantage of the approach appears to be the use of such a dedicated resource co-ordinating all activities from enrolment to employment to post-placement support and doing so at a relatively greater frequency of contact than what might occur under Work and Income case management. This seems to have worked better where providers have local labour market linkages, although there was one instance of a provider successfully helping participants to self-place¹⁵.

3.1.4 Net benefit from using OBF approach

The cost-benefit analysis showed that OBF returns a net benefit value of negative \$77 per participant at 12 months after programme completion. If it is assumed that the programme continues to have a positive impact, it is possible that between 16 and 24 months, the programme will become fiscally neutral. However, even if it does breakeven, this only holds true for the impact of the programme at the microeconomic level. The analysis did not include effects of OBF activities on non-participants, especially the substitution of non-participants¹⁶. The activities undertaken by OBF providers are unlikely to generate employment opportunities; instead, providers help participants to move into existing employment opportunities. The implication is that, in the absence of OBF, these positions would have been filled by other job seekers. Substituted non-participants will experience an increase in unemployment as a result of being denied the employment position. The macroeconomic effect is the difference in the impact of OBF on participants and the substitution of non-participants. In the presence of substitution effects, increased benefit costs for non-participants are likely to reduce the savings made from reduced benefit costs for participants. It is beyond the scope of this evaluation to quantify the substitution effect. It is sufficient to say that the macroeconomic impact and cost-benefit would be less than the microeconomic estimates produced in this report. However, it is also possible to argue that third order effects, increased labour market participation and reduced recruitment costs for employers could lead to net employment gains in the long term.

¹⁵ This provider felt that the use of an intermediary might stigmatise job seekers in the eyes of employers.

¹⁶ “Substitution effect” refers to a situation where a participant is hired in a job where a non-participant would otherwise have been hired. The net employment effect is thus zero.

3.1.5 What this evaluation did not answer or emphasise

One objective of the evaluation was the extent to which OBF supports partnership with providers. In part, this was not answered because it was too early to find emerging partnership themes. The partnership concept seems to have arisen in the context of working with community organisations. In the case of the OBF pilots, the clear direction was to work with a range of viable and established providers. For providers and MSD staff, OBF appeared to be a contractual relationship, where the provider is an agent for the Ministry in assisting job seekers. The nature of OBF would appear to reduce the possibility of developing partnerships since the provider is taking the full responsibility for delivering employment assistance. Aside from the referral and follow up, Work and Income has no further involvement in the management of the participant while they are on the programme. This contractual relationship was evident in the qualitative fieldwork phase of the evaluation and, for this reason, it was decided not to pursue this secondary evaluation objective.

It is not certain whether, over time, providers will understand and better adapt to the OBF approach and increase the innovation and sophistication of their programme. The Australian Job Network, which could be instructive given the length of provider experience and capability in that country, has seen changes that go towards more precisely specifying the conditions for activities and enhanced monitoring of participants when attached to a particular provider.

This evaluation did not compare whether providers are more effective under OBF, with its fee-per-outcome approach, or more traditional contracting models, which tend to allocate fees per participant. The comparison used in OBF analysis was merely a job seeker who had similar characteristics to an OBF participant; there was no comparison with any specific strategy or programme such as a more traditional contracting model. Now that we understand that OBF is mainly job matching and placement, it may be possible to compare it with Work and Income programmes or contracted services that focus on these activities.

The overall objective was to test if the outcomes-based funding concept worked in practice in the New Zealand context. The question of how it worked in various labour markets, for which client groups and why impact varied across sites was a secondary concern. OBF being a black box approach, the intention was to lift the lid a little to get a sense of the nature of the activities inside, not to provide detailed insights. As part of the evaluation, information on practices adopted by individual providers was collected. Presenting this has to be balanced against the concerns of some providers to treat their practices as proprietary products and whether it would be more valuable to list best practices across all sites/providers than to highlight individual sites that are not randomly chosen.

3.2 Implications of OBF

OBF has implications at two levels:

- at an implementation level and for the utility of using such an approach in the future
- at a policy level for the Ministry in the way that service provision is managed while moving towards an outcome-focused framework.

3.2.1 *Implementation in general*

The OBF evaluation showed that several of the risks envisaged at the design stage were indeed dealt with in the way that parameters for the pilots were determined and fixed. However, some aspects of implementation (particularly the communication of the underlying concept and related assumptions) may have resulted in a design different from that intended at the concept stage. However, while the underlying concept of an outcomes-based fee may not have been adequately communicated, the fact that the payment system (80–90%) was clearly tied to achievement of outcomes shows that providers still may not have responded significantly differently. Outcomes-based fees is a complex concept to operationalise and the Job Network experience in Australia is instructive in this regard.

3.2.2 *Relevance of OBF for the future*

There are a number of activities that may capitalise on the learning gained from having seen a demonstration of how OBF works.

Twelve months after programme start, comparison group outcomes lagged behind those of participants by about 10 percentage points. It would be worthwhile to see whether the programme continues to have a positive effect at 18 or 24 months or whether any convergence in outcomes happens for the two groups. Either way, this would have a bearing on the cost-effectiveness estimate of using OBF.

OBF produces activities that focus on labour market attachment rather than human capability development, and would be most suitable in addressing frictional unemployment. The diminishing impact of OBF over the medium to long term indicates that participants are moving into jobs they would have got anyway and that, mostly, these are jobs at the lower end of the skill spectrum. For this reason, much of the benefit of the programme to participants would be offset by similarly disadvantaged non-participants substituted through the programme. If this is the case, then a future use of OBF could be considered with the following changes to specifications:

- **Payments:** Reduce payments to better match the likely macroeconomic benefits of this type of assistance.
- **Target group:** Categorise level of disadvantage by a more accurate measure than mere register duration (eg use a statistical model of the probability that a person remains unemployed for a prolonged period). This would enable prescriptive targeting for better aligning assistance to participant need. This issue was identified in the pilot development stage but register duration appeared the only workable indicator at that time. This will probably have to wait for the

development of the Work Services Assessment Rating, which is expected to replace the existing SGI indicator.

- **Differential payment rates:** Categorise referrals by degree of disadvantage and price accordingly, as providers did not tend to cross-subsidise expenditure on the hard to place with savings from the relatively easy to place. This also depends on the development of a reliable indicator but may enable the creation of a homogenous target group that falls under one payment category.
- **Pre-placement window:** Limit the pre-placement window by providing a shorter time frame (eg six months) that could overlap with seasonal highs for demand. Irrespective of the nine-month window that was in place, providers did not necessarily put job seekers through pre-placement activities that enhance capability, and a longer window may not have made a difference to activities planned or provided. However, a time frame of six months should be a fixed window for each participant from their respective enrolment start date, rather than for the entire contract, the latter method giving those enrolling late very little time for any meaningful pre-placement assistance.
- **Adjusting graded payment:** Increase the percentage of payment at month six. This might encourage providers to invest in a more focused effort during pre-placement and/or sustain post-placement effort for longer than the limited duration now observed. Whether providers would be prepared to take this level of risk is uncertain.
- **Enrolment fee:** Pro rata the enrolment fee as and when a participant is enrolled on the programme. The bulk payment for administration/enrolment costs was perhaps intended as one-off set up fees and advance fee for outcomes during the pilot round. In some sites, the poor recruitment and outcomes ratio would have actually meant a higher cost per outcome when such bulk funding operated.
- **Contracted placements:** Cap the contracted placements so that providers cannot over-recruit participants and increase the number of outcomes they are paid for.
- **Referral strategies:** The referral process worked well mainly when the following occurred:
 - prior consultation with and buy-in from centres on the programme and selection from within the target group
 - the presence of an effective OBF co-ordinator/liaison person at centres
 - providers marketing the programme to case managers
 - efficient and timely hand-over of participants between case manager and provider, and between providers
 - maintenance of an ongoing dialogue with centres.
- **Communication:** Improve communication with providers/case managers about the outcomes fee concept and the innovation that has happened to date, emphasising a simple operational design.
- **Oversight mechanism to regulate behaviour:** Minimise improper referral/selection at sites, ensure only appropriate services are used for participants, and monitor the quality of outcomes achieved. The extent of this auditing cost must be considered against the likely benefits.

- **Parking:** Minimise parking by prescribing a minimum frequency of contact with job seekers and monitoring to ensure that the effects of visible parking are minimised.
- **Monitoring:** Facilitate monitoring by having centres or providers maintain a list of participant SOLO client identity numbers. Alternatively, this can be facilitated through the Contract Management System (CMS) or by the regional offices that are responsible for outcome payments.

The three issues of interest for us in a future application of OBF are:

- whether a drop in unit cost results in a lowering of outcomes achieved and quality of service
- going beyond the current measure of impact to see if the quality of outcomes in terms of wages, types of jobs, etc is better for participants as a result of OBF
- whether there are net benefits to society (eg if cost savings are a result of wages being lower in the private sector, then a shift from public to private provision is only a transfer and not net social savings)¹⁷.

The last two may be difficult to assess at this point in time given the extent of data we can obtain, as well as the complexity in identifying and measuring components of social savings.

The pilots clearly show that OBF is not an easy concept to successfully design and implement. This is also reflected in the changes being made to the Australian Job Network. Despite these issues, we feel that OBF could be an important part of delivering effective employment assistance. For the time being, OBF could play a complementary role to Work and Income case managers.

3.2.3 Implications for policy and the organisation

3.2.3.1 Outcomes determine provider activities

One of the general concerns raised about contracting out is that these arrangements can be based on inappropriate contracts (eg too general or too inflexible) or with focus on inputs rather than outputs. With OBF, this was not the case, as the emphasis was clearly on outcomes, ie sustainable employment. However, the issue is with specifying service requirements in terms of precise outcomes. In particular, the effective provision of employment assistance cannot be based only on contracts that specify the ultimate outcome (eg sustainable employment), with the expectation that contracted providers will establish the most efficient and effective system to achieve this outcome.

Instead, OBF demonstrated that providers engage in activities that will most directly achieve the outcome for which payment is set. Clients who are unlikely to benefit from such immediate interventions are either avoided in the selection process or, when assistance is shown to be ineffective, parked by the provider. Therefore, there is a need to be careful while specifying the outcome of interest. For instance, clients who are not work ready may require an intermediate outcome in the contract rather than an ultimate outcome such as sustainable employment.

The issue of inappropriate outcome specification was highlighted by an evaluation of the effectiveness of ESOL provision¹⁸. The ESOL contracts specified ESOL course

¹⁷ RG Fay (1997), *Making the PES more effective through the introduction of market signals*, OECD, Paris.

¹⁸ Gravititas Research, *ESOL Evaluation*, 2002.

outcomes in terms of subsequent employment/training participation by clients. Like OBF, the evaluation found that ESOL providers tended to identify those that could be placed (creaming) and put less effort into those least likely to move into employment (parking). In addition, providers started to undertake placement activities to achieve the contracted outcomes, reducing the time available for literacy activities, with perceived negative effects on clients' language development. The point is that, instead of focusing on the key intermediate outcome (ie improvement in English language skills), providers were to contend with and adapt assistance to meeting employment outcomes.

Payment for outcomes places considerable pressure on the referral process. Providers have a strong incentive to take job seekers who can easily achieve the contracted outcome and avoid those who have a high probability of not achieving an outcome. Providers may place undue pressure on Work and Income case managers regarding who is referred and may undertake activities that achieve contracted outcomes at the expense of participants. This evaluation showed no empirical evidence for creaming, while such a risk from provider expectation did exist. Negative selection bias may have been caused by case managers wanting to pass onto providers those job seekers they might have considered hard to place or the perception that the outcome fee was high enough to justify sending job seekers from the hard end of the eligibility criteria.

Another issue with contracting out services is the per-outcome fee, which is an average price based on the probability of only some participants achieving an employment outcome. This is a difficult concept for people to understand. The OBF experience at this point suggests that one significant challenge is providing an operational design that can be easily understood by those involved in the delivery of this programme. Without this, it is unlikely that the expected and assumed benefits (innovation and efficient resource allocation) of the OBF concept will emerge in reality.

Moving towards an outcomes-based framework

The Statement of Intent (SOI) exercise formalised in MSD a shift to more effective outcomes-based strategic planning¹⁹. A key part of the SOI is to explain to all stakeholders the outcomes that MSD will seek to achieve and, in the next round, to show how its outputs will be brought into alignment with selected outcomes. In this context, the OBF pilots highlight issues to consider while managing for outcomes.

3.2.3.2 Defining outcomes is not sufficient to drive desired behaviour

There are several issues focusing on outcomes and choosing not to specify activities.

The first issue is the assumption that outcomes are correlated to impact. Outcomes can often lead to a counting of gross outcomes achieved by a given set of programmes or services. Whether or not interventions make a difference is known only from the assessment of impact, ie the difference that the intervention made to these outcomes. In the case of employment assistance, selection factors such as creaming and parking can reduce impact at the microeconomic level, while macroeconomic effects (eg substitution effects) can further reduce the potential impact a programme can generate. Therefore, there is a need to ensure that outcomes of interest are aligned with impact. The evaluation showed that OBF had a

¹⁹ Statement of Intent 2003, MSD, p. 9.

modest short-term microeconomic impact. However, the nature of the activities undertaken by providers indicates that much of this participant impact would have been offset by the substitution effect among similarly disadvantaged non-participants.

This last point illustrates the importance of clarifying the intervention logic and maintaining an understanding of the activities and outputs in addition to the outcomes. The SOI will attempt to draw pathways for how each of the outcomes can be traced to a set of inputs, activities, outputs along with assumptions underpinning each step of the intervention logic. The logic constructed on the basis of previous knowledge and theory and subsequent evidence provides an understanding of how intended outcomes were to be achieved. The significance of this logic cannot be over-emphasised given the OBF experience, which clearly disproved some expectations about how the approach works in practice, eg that providers would cross-subsidise savings from easy-to-place job seekers to the harder to place or that a six-month outcome payment would sustain provider effort throughout the post-placement period.

Another issue is the type of outcome being measured. It would be rational for providers to identify the least costly way to achieve a given outcome. Provider behaviour as seen within the OBF black box approach can shift towards those activities that quickly realise the contracted outcome. While outcomes-orientation provides clarity on the outcomes sought, “the behaviour of a profit maximising contracted agency is to get the best outcomes as measured by the contract indicators, but not necessarily the best overall outcomes”²⁰. This was evident in the OBF cost-minimisation approach, parking, limited innovation and focus on labour market attachment.

The problems of a pure per-outcome contracting approach are emerging in Australia, where the Job Network review identified that “measurable outcomes do not incorporate all aspects of what an employment service should deliver” (p. xxvi Overview). Some agencies participating in Job Network felt that it is not possible to base payment to providers wholly on quantitative outcomes and that measures such as quality of service need to be considered. Incorporating these leads, of course, to the risk of micro-management. In the Job Network context, contract variation behaviour is a function of being unable to express easily all programme objectives as payable outcomes. Some degree of divergence between specified contract performance and programme objectives is likely to remain. In trying to reduce some of the unintended effects, Job Network is tightening up on certain processes and flexibility for providers and, to some extent, reverting to a control of the black box. Again, this points to both specifying and prioritising within a possible hierarchy of outcomes.

²⁰ Independent Review of the Job Network, 2002.

Appendix 1: Demographic profile of participants/non-participants (pp. 36–38)

Demographic	Programme Base Class	OBF		
		Participants (2) 380	Comparison (1) 449	Bias
Gender	Female	40.8%	37.7%	3.1%
	Male	59.2%	62.3%	-3.1%
Ethnicity	European	27.9%	31.2%	-3.3%
	Māori	38.7%	34.7%	4.0%
	Pacific peoples	31.1%	31.4%	-0.3%
	Other	2.4%	2.6%	-0.3%
	Unknown		0.1%	-0.1%
Age group (9 levels)	15–17 yrs	0.5%	1.2%	-0.6%
	18–19 yrs	18.4%	16.3%	2.2%
	20–24 yrs	36.8%	39.7%	-2.8%
	25–29 yrs	10.0%	12.3%	-2.3%
	30–39 yrs	21.3%	16.9%	4.4%
	40–49 yrs	9.2%	8.6%	0.6%
	50–54 yrs	2.4%	3.6%	-1.2%
	55–59 yrs	0.5%	1.2%	-0.7%
Highest qualification broad	60+ yrs	0.8%	0.3%	0.5%
	None	48.4%	45.3%	3.1%
	School Certificate Secondary above SC	30.8%	32.6%	-1.8%
	Post school	14.7%	15.6%	-0.9%
Ministerial eligibility	26+ weeks	6.1%	6.3%	-0.3%
	MinElg	87.6%	87.6%	0.0%
SGI group	26+ weeks	3.7%	2.2%	1.5%
	SGI 0	10.5%	8.8%	1.7%
	SGI 99	17.6%	21.1%	-3.4%
	SGI 1	8.9%	9.0%	0.0%
	SGI 2	2.4%	4.0%	-1.6%
	SGI 3	36.1%	26.9%	9.1%
Partner	SGI 4	24.5%	30.2%	-5.8%
	Yes	13.7%	13.5%	0.2%
Age of youngest child	No Child	93.4%	93.5%	-0.1%
	0–5 yrs	2.6%	2.6%	0.0%
	6–13 yrs	2.9%	2.9%	0.0%
	14+ yrs	1.1%	1.0%	0.0%
Number of children	No Child	93.4%	93.5%	-0.1%
	1 Child	3.9%	3.5%	0.5%
	2+ Child	2.6%	3.0%	-0.4%
Disability – Any	Yes	10.3%	18.1%	-7.8%
Disability – Intellectual	Yes	0.8%	0.7%	0.1%
Disability – Mental	Yes	0.5%	0.1%	0.4%
Disability – Physical	Yes	5.0%	7.2%	-2.2%
Disability – Sensory	Yes	1.8%	1.2%	0.6%
Language / Numeracy	Yes	4.2%	4.3%	-0.1%
Drug and Alcohol	Yes	0.5%	1.7%	-1.2%
CurPar – Any Programme	Yes	89.5%	24.4%	65.1%
CurPar – InfoService	Yes	2.1%	0.6%	1.5%
CurPar – Into Work	Yes	5.3%	2.3%	2.9%
CurPar – Job Search	Yes	61.6%	3.9%	57.7%
CurPar – Training	Yes	28.9%	13.6%	15.3%
CurPar – Wage Subsidy	Yes	2.1%	2.7%	-0.6%

		Programme Base		OBF
		380	449	
Demographic	Class	Participants (2)	Comparison (1)	Bias
CurPar – Work Confidence	Yes	1.6%	2.0%	-0.4%
CurPar – Work Experience	Yes	1.1%	2.2%	-1.1%
PrePar – Any Programme	Yes	52.4%	48.2%	4.1%
PrePar – InfoService	Yes	4.7%	1.5%	3.2%
PrePar – Into Work	Yes	13.2%	11.1%	2.0%
PrePar – Job Search	Yes	21.8%	20.8%	1.0%
PrePar – Other	Yes		0.0%	0.0%
PrePar – Training	Yes	20.3%	24.3%	-4.0%
PrePar – Wage Subsidy	Yes	9.7%	11.2%	-1.5%
PrePar – Work Confidence	Yes	8.2%	7.4%	0.8%
PrePar – Work Experience	Yes	2.9%	1.7%	1.2%
Benefit Type	Unemployment	91.1%	91.6%	-0.6%
	Training	3.4%	3.4%	0.1%
	DPB	3.4%	3.3%	0.1%
	Sickness	1.1%	0.6%	0.4%
	IYB	0.8%	1.1%	-0.3%
Current Benefit Duration	0–13 wks	18.2%	11.7%	6.4%
	14–25 wks	6.8%	4.0%	2.9%
	26–51 wks	26.1%	27.5%	-1.5%
	52–103 wks	28.4%	31.6%	-3.2%
	104–207 wks	13.2%	18.6%	-5.5%
	208+ wks	7.1%	6.5%	0.6%
Current DWI Duration	0–13 wks	3.9%	5.1%	-1.1%
	14–25 wks	2.1%	2.8%	-0.7%
	26–51 wks	20.3%	19.8%	0.5%
	52–103 wks	33.2%	28.1%	5.1%
	104–207 wks	23.7%	22.2%	1.5%
	208+ wks	16.8%	22.2%	-5.3%
Current Register Duration	0–13 wks	9.5%	8.9%	0.5%
	14–25 wks	2.9%	3.4%	-0.5%
	26–51 wks	31.3%	36.3%	-5.0%
	52–103 wks	38.2%	31.6%	6.5%
	104–207 wks	15.8%	17.0%	-1.2%
	208+ wks	2.4%	2.8%	-0.4%
Proportion Benefit Contact	Per 0	2.1%	2.4%	-0.3%
	Per 10	3.9%	5.2%	-1.3%
	Per 100	8.9%	14.0%	-5.1%
	Per 20	9.2%	11.5%	-2.3%
	Per 30	12.9%	10.6%	2.3%
	Per 40	15.0%	10.6%	4.4%
	Per 50	12.6%	10.8%	1.8%
	Per 60	9.7%	10.3%	-0.6%
	Per 70	7.4%	7.3%	0.1%
	Per 80	9.2%	6.9%	2.3%
	Per 90	8.9%	10.5%	-1.5%
Proportion DWI Contact	Per 0	2.9%	4.1%	-1.2%
	Per 10	5.3%	5.3%	0.0%
	Per 100	5.8%	5.6%	0.2%
	Per 20	10.3%	12.2%	-1.9%
	Per 30	16.1%	14.4%	1.6%

		Programme Base		OBF	
		380	449		
Demographic	Class	Participants (2)	Comparison (1)	Bias	
	Per 40	16.6%	10.8%	5.8%	
	Per 50	12.1%	11.2%	0.9%	
	Per 60	7.9%	7.0%	0.9%	
	Per 70	6.6%	6.7%	-0.1%	
	Per 80	9.7%	14.7%	-4.9%	
	Per 90	6.8%	8.0%	-1.2%	
Proportion Register Contact	Per 0	3.4%	3.1%	0.4%	
	Per 10	6.1%	6.7%	-0.6%	
	Per 100	1.6%	3.4%	-1.8%	
	Per 20	12.6%	16.1%	-3.5%	
	Per 30	14.5%	11.4%	3.1%	
	Per 40	18.2%	12.7%	5.4%	
	Per 50	14.2%	16.7%	-2.5%	
	Per 60	9.5%	8.5%	1.0%	
	Per 70	7.9%	7.3%	0.6%	
	Per 80	7.9%	9.4%	-1.5%	
	Per 90	4.2%	4.7%	-0.5%	
DWI region	Auckland Central	4.5%	5.2%	-0.7%	
	Auckland North	19.2%	22.5%	-3.3%	
	Auckland South	31.1%	29.3%	1.8%	
	Bay of Plenty	18.4%	14.3%	4.1%	
	Canterbury	0.5%	2.3%	-1.8%	
	Other	0.3%	0.2%	0.1%	
	Southern	17.4%	17.4%	0.0%	
	Wellington	8.7%	8.8%	-0.1%	
TLA region	Other	0.3%	0.2%	0.1%	
	Auckland City	4.7%	5.4%	-0.7%	
	Christchurch City	0.5%	2.3%	-1.8%	
	Dunedin City	17.4%	17.4%	0.0%	
	Hutt City	4.5%	4.4%	0.1%	
	Kawerau	5.0%	4.3%	0.7%	
	Manukau City	31.1%	29.5%	1.6%	
	Porirua City	1.1%	1.1%	0.0%	
	Rotorua	13.4%	10.0%	3.4%	
	Upper Hutt City	1.6%	1.5%	0.1%	
	Waitakere City	18.9%	22.1%	-3.2%	
	Wellington City	1.6%	1.9%	-0.3%	
Age of child	0	0.3%	0.5%	-0.2%	
	1		0.8%	-0.8%	
	2	0.8%	0.5%	0.3%	
	3	0.5%	0.5%	0.0%	
	4	0.5%	0.2%	0.3%	
	5	0.5%	0.1%	0.4%	
	6	1.1%	0.6%	0.5%	
	7		0.3%	-0.3%	
	8	0.5%	0.7%	-0.2%	
	9	0.5%	0.3%	0.3%	
	10		0.2%	-0.2%	
	11	0.3%	0.3%	-0.1%	
	12	0.3%	0.3%	0.0%	
	13	0.3%	0.2%	0.1%	
	14		0.4%	-0.4%	
	15		0.3%	-0.3%	
	16	1.1%	0.1%	0.9%	
	17		0.1%	-0.1%	
	18		0.0%	0.0%	

Appendix 2:
Summary of activities by individual provider (pp. 39–41)

Table 10: Summary of planned and actual activities undertaken by individual provider and activities experienced by participants

Region	Provider	Activities	Actual activities undertaken by participants
A	A1	<p>Induction and orientation into provider work programme and culture, CV prep, job search skills, job-specific training (computer, driver licence)</p> <p>Three-phase PPS (covering first three months), liaise with other agencies (NZIS, IRD, W&I Debt, PD, Housing NZ, Landlords), bus pass for first two weeks of job, room for potential employers to meet job seekers, use of resources in premises, 0800 number for contact seven days a week, mix of needs/barriers and vocational assessment</p>	<p><i>Pre-placement</i> – CV prep, job search skills (internet, newspaper), interview skills, job matching, transport (to interviews, physically drive job seeker to provider premises), use of computers, tutor sends CV to employers, role play, regular phone calls to see how job seeker is progressing, attend programme every day and going to employers with tutors, lunch, coffee/tea, shoes, reminders to show up</p> <p>PPS – no contact from provider, rings up every three weeks, disappointed provider hasn't kept in touch as promised, help with transport to work on one occasion</p>
B	B1	<p>CV prep, job search, motivation, interview skills, boots, job-specific training, PPS (once-a-month call to job seeker/ employer), mix of needs/barriers and vocational assessment</p>	<p>Three days a week of fixed timings, group sessions, job seeker left by themselves, during group session mainly reading newspaper or playing on computers, job search (internet), taken to temping agency for interview, tutor didn't reply on a job that interested job seeker, tea/coffee, CV prep, work experience</p>
B	B2	<p>Community profile, CV prep, covering letter, job search skills, goal setting, personal development, transport (to come to provider premises/attend interviews/go to work), PPS (once-a-week contact with job seeker/employer)</p>	<p>Statistics on community, jobs with a specific employer that were already secured, group sessions on personal issues/life, CV prep, interview skills, group interview with employer</p> <p>PPS – tutor came to workplace 2–3 times a week to check how things were</p>

Region	Provider	Activities	Actual activities undertaken by participants
B	B3	CV prep, job search skills, interview skills, some unit standards, transport (to attend interviews)	<p>CV prep, transport (to buy clothes, taxi to take from W&I centre to programme site), clothes, lunch, coffee/tea, goal setting, 3–4 days a week programme with fixed timings, job search (newspaper), offer to take to interviews, computer orientation, interviewed in group by employer, interview skills, develop personal poster (goals/needs), unit in customer service, job inappropriate to culture of job seeker</p> <p>PPS – job seeker would go in to meet provider, provider did not find another job after placing into a job that job seeker disliked, tutor rings up to make sure job seeker continues in work</p>
C	C1	<p>CV prep, job search, motivation, interview skills</p> <p>Restricted licence, tools (chainsaw), petrol vouchers, clothes</p> <p>Work-based training, youth/women’s confidence course, computer orientation, more on attitudes/needs than vocational</p>	<p>Initially any time within a certain time frame every day, then once in two weeks, group sessions and one-to-one time, driver licence fee paid, job search, identifying appropriate jobs, motivation, help change views on jobs, transport (vouchers to attend interviews/weekly meetings, physically driving to potential employers), reminder letters for once-in-fortnight meetings plus phone contact inbetween, accompany job seeker to interview, interview skills, CV prep</p> <p>PPS – contact by text messaging, paid money when not paid on time by employer</p>
C	C2	<p>CV prep, job search skills, mentoring, personal development, telephone skills, PPS, job-specific training (formal excavator licence to match experience), wage subsidy, advice on Debt and Supplementary benefits, PPS (contact once a week but if job seeker well placed then once in two weeks), mix of needs/barriers and vocational (vocational by professional agency)</p>	<p>Goal setting, job search, interview skills, initial one-day seminar in group setting, subsequent contact one to one, contact by phone inbetween actual meetings, tutor always got back with promised information, clothes/boots after getting job</p>

Region	Provider	Activities	Actual activities undertaken by participants
D	D1	CV prep, job search skills, interview skills, goal setting, personal development, mix of needs/barriers and vocational assessment	Fixed timings to come into premises, programme every day of week, group sessions, some one-to-one time, CV prep, job letters, job search (internet, newspapers), use of computers, interview skills/role playing, participants left to themselves, tutors busy, initially interview to join course and also promised job straightaway, motivational videos, tutor fixed inappropriate job
D	D2	CV prep, job search skills, interview skills, goal setting, personal development, transport (to attend interviews/go to provider premises), clothes, boots, use of cellphone, use of resources in provider premises (internet, coffee/tea, stationery and postage), mix of needs/barriers and vocational assessment	Transport (physically driving to places, petrol money), one-to-one time, sometimes group sessions, calling often, assistance with job search (Yellow Pages, calling employers), CV prep, writing job letters, mock interviews, use of cellphone (to keep if job was secured), motivation, tutoring at job seeker's house, lunch, identify jobs of interest to client, goal setting, clothes for interview PPS – initially once/twice a month phone contact after getting job, assistance with reading contract clauses
E	E1	CV prep, job search skills, writing job applications, motivation, interview skills, post-interview debriefing, personal development and goal setting Grooming, use of cellphone, job-specific training (bar, driver licence), wage subsidy or incentives to employers, tools (pruning equipment), post placement contact – regular contact during first three months (option given to job seeker), use of resources in provider premises (internet, coffee/tea), mix of needs/barriers and vocational assessment	Interview/assessment, in-depth interview, one-to-one time, keen to find jobs that were of interest to job seeker, personal development and motivation, positive affirmations, telephone contact every week, CV prep, paid for restricted licence, telephone card, boots for work, clothing/transport assistance mentioned earlier, easy to fix time to go and meet tutor, tutor took CV/job letters to employers, one week unpaid work trial, review of interviews PPS – a couple of times tutor called and also job seeker went into provider's office to keep in touch