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Te Manatū Whakahiato Ora

Evidence to date on the working and effectiveness of ALMPs in New Zealand

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1 EXECUTIVE SUMMARY

1.1 Background

ALMPs are intervention programmes and policies that actively assist people into employment. This research summarises the evidence from recent New Zealand employment programme evaluations to answer the following questions:

- Which programmes work for whom?
- Which groups of people benefit from which approach?
- How cost effective are the programmes?
- Why use certain approaches with certain people under certain circumstances?

This paper also compares the New Zealand results to available international evidence on similar programmes, and identifies gaps in our knowledge. It therefore contributes to a better understanding of not only the employment programmes, but also the Employment Strategy.

1.2 What is the New Zealand evidence on the effectiveness of programmes?

This paper clusters individual programmes according to whether they are aimed at enhancing the supply of labour (capacity building), the demand for labour (opportunity creation) or bridging the gap between the two (matching). The report restricts ALMPs to employment programmes and services delivered or contracted through the Work and Income (W&I) service arm of the Ministry of Social Development. Note that results were assessed in *aggregate*, averaging the outcomes for all participants under each scheme. The outcome measure used to determine programme effectiveness is independence of W&I assistance, and the impact is the likelihood of participants becoming independent of W&I assistance in relation to a comparable group of non-participants.

The New Zealand evidence suggests that in both the short and longer term, the only opportunity creation programme reviewed had the highest outcome and impact, followed by matching and finally by capacity building programmes. This means that a higher proportion of participants in the opportunity creation programme became independent of W&I assistance than in matching or capacity building programmes, after both, one year and three years. Some of the capacity building programmes reduced participants' chances of becoming independent of W&I assistance after one year because participants were unlikely to seek employment for the duration of the programme. While capacity building programmes as a cluster appeared to be least effective at leading to independence of W&I assistance, where capacity building programmes were combined with wage subsidies, the chances of becoming independent of W&I assistance were almost as high as that of the opportunity creation programme.

A number of caveats apply to these results. Capacity building programmes are devised to improve the capacity of labour rather than to directly generate employment outcomes. Only one opportunity creation programme in New Zealand was reviewed. This

programme, which helps job seekers into self-employment, is appropriate only for the small proportion of job seekers who want to start their own businesses and so are probably more motivated than the average.

Overall, there is no ‘golden bullet’ or single programme which will be successful for all job seekers; however, most programmes *are* effective for *some* participants. There is considerable consistency between the international and New Zealand evidence of programme effectiveness.

The direct fiscal effects of the programmes (calculated as the change in per-participant Work & Income expenditure over the ten years from participation start date) were also assessed for selected employment programmes to get some evidence on cost-effectiveness. According to this analysis, capacity building and job search programmes did not lead to reduced Work & Income expenditure (in many cases expenditure increased). This relates to the nature of capacity building programmes (referred to above), whose immediate effect is on a job seeker’s capacity, which in turn is assumed to lead to improved employment outcomes (not captured by the analysis). Of all the programmes, matching services were most likely to have positive direct fiscal effects.

1.3 What can we say about key sub-groups?

The evaluative work to date has examined participation rate and outcomes information for the main ethnic groups, but it has not specifically attempted to identify the most effective programmes for participant sub-groups. The current evaluation method measures the average effects for all participants and where results are significant for a sub-group, they are reported. So far, there is no evidence that any programmes are more effective than others for Māori and Pacific people and there is no evidence on programme effectiveness for some groups of job seekers, such as people with disabilities or migrants. Further work is needed for impact analysis by sub-group.

1.4 What more do we need to answer our key questions?

We have made considerable progress in our understanding of programme effectiveness in the past few years. Our evaluation and monitoring approaches and methods are now on par with comparable countries within the OECD. Yet, nationally and internationally, our knowledge is limited in several ways. To a considerable extent, this is to do with the complex nature of the issues. We still need to do more research before we understand the complexities of how programmes interact with other factors in the wider employment context to achieve their desired outcomes. The research results to date pose some important questions for further exploration.

So far, evaluations have analysed results separately by individual programme or type of programme. We need to go beyond this to clarify for whom the programmes are effective and at which point(s) in an individual’s path to employment they are effective. This could involve examining the individual job seeker’s path to employment through participation in various programmes, as individuals can participate in various sequences and combinations of programmes. While methodologically challenging, this will help us to understand the interactions between various programmes.

The delivery of programmes can influence the results of programmes. A programme may appear to fail because it was not delivered as intended. Altering the way a programme is delivered can lead to differences in programme results and can help us identify the core aspects of a programme (if there are any) which make a difference in impact. Hence, evaluating programme delivery and integrating these findings into the impact analysis more robustly will help us better answer our key questions.

Some emerging policy work has implications for the delivery of programmes. For example, the evaluation of initiatives connected with the Work Services Case Model and Enhanced Case Management for DPB and WB recipient will fill some gaps in our knowledge, particularly of case management and the value of risk assessment.

Methodological issues which need to be addressed include improving both measures of employment outcomes and wages (in the short and long-term following programme participation), and measures of sustainable employment outcomes (encompassing quality of employment beyond income). Longer term longitudinal evaluations are needed to complement our current knowledge of programme effectiveness. This will help identify how employment programmes can contribute to sustainable employment.

Evaluators in New Zealand have made much progress in answering the question of which programme works for whom. This paper reflects that progress. Work in some of the above areas should further enhance our ability to answer the question.

2 INTRODUCTION

The purpose of this paper is to summarise the current evaluation evidence on the effectiveness of employment assistance programmes, to enable improvements in their mix and delivery and to identify areas that require further research. Employment programme evaluation has made considerable progress since 1998, when the evaluations were last reviewed (Anderson 1998). This paper synthesises the evidence from recent evaluations of employment programmes and attempts to answer the following key questions:

- Which programme works for whom?
- Which groups of people benefit from which approach?
- How cost effective are the programmes?
- Why use certain approaches with certain people under certain circumstances?

This paper begins by introducing active labour market policies (ALMPs) and their role in the labour market. Data is presented on spending on ALMPs, both in New Zealand and selected overseas countries. Results of recent programme evaluations are summarised in the main body of the report and compared to available international evidence on similar programmes. The detailed results of programme evaluations are contained in Appendix 3 beginning on page 56. The appendices also detail the method used to evaluate programmes, a glossary of terms used, a diagram showing the outcomes hierarchy of sustainable employment and detailed figures on programme participation in New Zealand in 2003.

3 WHAT ARE ACTIVE LABOUR MARKET POLICIES?

ALMPs include intervention programmes and policies that actively assist people into employment. This is in contrast to passive forms of social security given to people who are unemployed or unable to work, e.g. payment of the unemployment benefit. However, the distinction can be ambiguous. For example, while the Training Incentive Allowance and Work Start Grant are forms of income support assistance, both actively seek to increase the chances of a person moving into employment and so are counted as ALMPs. Also, it is not always clear how ALMPs differ from programmes that influence employment in other policy areas. For example, the provision of higher education services to the general population comes under the policy area of tertiary education and is not considered an ALMP, but ALMPs can involve general training programmes for eligible job seekers. Employment assistance in the form of ALMPs is seen as distinct from policy areas such as tertiary education, immigration, employment relations, occupational safety and health. However, in practice many of these policy areas overlap with ALMPs in achieving employment outcomes.

Given the absence of a specific definition of what ALMPs are, this report restricts ALMPs to employment programmes and services delivered or contracted through the Work and Income (W&I) service arm of the Ministry of Social Development (MSD). These employment programmes and services are delivered to people receiving income support assistance or registered with Work and Income as job seekers.

3.1 Why have ALMPs?

ALMPS have two objectives, which may be separated for analytical purposes. The first is the objective of *equity* or helping job seekers who are disadvantaged to more fairly share the amount of employment available in the economy. In this context, the aim of ALMPS is to shuffle work around more evenly across job seekers and those people currently employed. The main effects of ALMPs are around distribution of opportunities to help disadvantaged job seekers remain attached to the labour market so as to reduce their chances of long term dependence on benefits. In this case, ALMPS have value even if they have no impact on overall employment as long as they promote the government of the day's equity goals. The second objective is increasing overall employment by enhancing labour market *efficiency*. In practice, both equity and efficiency gains may be achieved, since work is shared more fairly by creating more work overall.

In other jurisdictions, ALMPs are also used to moderate the effect of economic cycles on unemployment levels. New Zealand does not use ALMPs for this purpose, but has done so as recently as the early 1980s.

3.1.1 Are there alternatives to ALMPs?

ALMPs as defined in this paper are but one response to negative labour market outcomes. They generally focus on individual circumstances and are not well suited to addressing wider problems within the labour market such as providing affordable childcare, public transport or suitable work environments for workers with disabilities. The provision of active programmes *at all* is a contentious issue within the study of economics (MSD 2003c). Some economists would argue that ALMPs are unnecessary or even counter-productive. This is for a number of reasons:

- *Distorting incentives* For example, providing wage subsidies to job seekers might encourage firms to hire the subsidised job seeker at the expense of another job seeker who would have gained the employment in the absence of the assistance (this is known as substitution)¹; assisting job seekers might also discourage them from retraining or moving to new locations even though in the long-run these would be better solutions.
- *Efficiency* Competitive labour and product markets are assumed to lead to an efficient allocation of resources and jobs; ALMPs, by distorting price signals to encourage more equity, can reduce overall efficiency.
- *Targeting issues* ALMPs typically subsidise activities that many individuals would have undertaken on their own given that the most motivated (and employable) unemployed are the most likely to take up programmes such as those offering training.

¹ Refer to the glossary page 53 for definitions of terms.

- *Gross and net additionality of jobs* ALMPs do not necessarily result in a gross addition to jobs, although the evidence suggests that some programmes do get some participants into employment. At the net level, the lump-of-labour concept (that ALMPS just shuffle job seekers among a fixed number of jobs) has now been rejected, with evidence that ‘the number of jobs responds quite quickly to the effective supply of labour’ (Layard 2003:5).
- *Cost effectiveness* Even if ALMPs lead to gross and net additionality, their fiscal cost can be very high, raising doubts about their overall effectiveness in a cost-benefit sense (Estevão 2003).

Notwithstanding the above point of view, ALMPs are believed to improve labour market efficiency by better matching and thus make a small but significant contribution to overall labour market performance. Well designed ALMPs can have a positive impact on the structural rate of unemployment by increasing the supply of labour and by helping marginalised individuals to prepare for and more actively seek work (LMPG 2003b). The OECD now believes that ALMPs have an important role in establishing the conditionality of benefits (Layard 2003).

While there is limited evidence on the macroeconomic impact of ALMPs, recent experiences in several OECD countries suggest that ALMPs will have a greater macroeconomic impact if there is a mix of activation and enforcement strategies which encourage people to move from the benefit system and into employment (LMPG 2003b).

The macroeconomic effects of ALMPs on the labour market have been examined using cross-country aggregated data (see Calmfors et al 2002 and Estevão 2003). Calmfors et al (2002:45) state that these ‘studies have often been interpreted to give a very favourable picture of the employment effects of ALMPs’. They suggest that this is a misunderstanding to the extent that the studies have usually focused on open unemployment (total unemployment is the sum of open unemployment and participation in ALMPs) rather than on total unemployment. Reanalysis with a focus on total unemployment would reveal that the effects vary, pointing to Estevão’s (2003:4) statement that the results of these studies ‘have generally been inconclusive’.

3.2 The policy context: Employment Strategy

The use of employment programmes in New Zealand needs to be understood within this country’s policy context. In New Zealand, the government’s employment priorities are set out in the government-wide Employment Strategy, developed in 2000. The Employment Strategy is designed to create the right conditions for employment and to maximise employment opportunities. Its main aims are to minimise disadvantage in the labour market and to maximise the number of jobs and level of earnings for all (DoL nd).

The two objectives of ALMPs outlined earlier support the equity goals of the Employment Strategy. Specifically, ALMPs support the goals of reducing inequalities for groups at risk of long term and persistent unemployment including Māori, Pacific peoples, women, youth, mature workers and people with disabilities.

The goal of improving labour market efficiency relates to the Employment Strategy goals surrounding job creation and a productive economy: ensuring macroeconomic policies enable sustained economic growth and its accompanying job creation; promoting an ‘employment-rich, high productivity’ economy and developing a flexible, highly-skilled workforce that is responsive to the needs of the labour market and an innovative economy (DoL nd). Although not covered in this paper, one of the challenges for the Employment Strategy is to assess the contribution of ALMPs relative to all other policy options in addressing negative labour market outcomes.

3.2.1 The goal of sustainable employment

The Employment Strategy was amended in November 2002 to reflect emerging Government priorities in the area of employment, one of which is sustainable employment. MSD and the Department of Labour (DoL) have defined the three key aspects of sustainable employment as job seekers gaining employment; increasing the time spent in employment with shorter transition periods between spells of employment, i.e. remaining in employment for 12 unbroken months; and having the opportunity to move into higher quality jobs over time. Refer also to Figure 3 on page 73 for a diagram explaining the outcomes hierarchy of sustainable employment.

At the time of writing, the sustainable employment framework is being developed to clarify how sustainable employment works and what its indicators and operational measures will be. Currently, the operational focus is only on the first two aspects of sustainable employment. In an operational context, stable placements (three months off the benefit) have previously been used as an outcome measure. To date, evaluations of New Zealand employment programmes have not used the W&I defined concepts of stable or sustainable employment as an outcome measure. For instance, in the case of the Outcomes Based Funding (OBF) pilots, for the sake of practicality a six month employment outcome was called sustainable employment. Otherwise all evaluations have simply observed outcomes in terms of the actual number of months off the benefit or independent of W&I assistance (defined as being off the benefit and off employment assistance). The task for evaluations is to develop appropriate measures to determine sustainable employment outcomes when evaluating programmes.

3.3 How do ALMPs assist in the labour market?

The Employment Strategy is informed by the Department of Labour’s Human Capability Framework, which is an integrated way of looking at the factors that influence labour market outcomes. It provides a way of understanding the place of ALMPs (in this paper, specifically, employment programmes) in the labour market, depending on what they are trying to influence. The Human Capability Framework consists of three elements – capacity, opportunity and matching.

Capacity refers to the capacity people possess to undertake different types of paid employment and includes their abilities, knowledge, skills and qualifications. Capacity relates to the supply of labour. Capacity can be acquired formally or informally in a variety of contexts, such as the marae, the home or formal learning environments.

Opportunity refers to employment opportunities where people can use their capacity to generate income and other rewards. Opportunity picks up the dimension of labour demand. Opportunities can be influenced by entrepreneurial attitudes, innovation, the international environment, technology, the business and regulatory environments, finance and capital, and consumer preferences.

Matching is the coordinating link in the labour market which balances opportunities (labour demand) and capacity (labour supply). This includes not only matching job seekers to vacancies but also wage setting and associated social and institutional structures that make up the contracted relationship between employer and employee. The capacity of New Zealand people and the labour market opportunities influence each other. The types and volume of opportunities are constrained by the existing capacity of the population. Surpluses and shortages of opportunities send signals on skill areas where capacity needs to be increased or transferred (de Boer forthcoming c; <http://www.dol.govt.nz/human-capability.asp>).

3.3.1 Types of employment programmes used in New Zealand

Employment programmes can be targeted at the capacity of labour, opportunity creation and matching – the three components of the Human Capability Framework. Accordingly, the Ministry of Social Development has developed the following categorisation of programmes based on the part of the labour market they are trying to influence. The categorisation should be treated as a continuum where the boundaries are not sharply defined. For example, job search has elements of human capacity as well as matching.

3.3.1.1 Capacity building programmes

- Training: increasing the quality of labour supply through training. Specific programmes include Training Opportunities Programme (TOPs) and Training Incentive Allowance (TIA).
- Work confidence: bolstering the general confidence and life skills of job seekers. Specific programmes include Limited Service Volunteers, Outward Bound and Residential Motivational Training.
- Work experience: exposing job seekers to work-like conditions. Specific programmes include Community Taskforce/ Community Work, Activity in the Community, Taskforce Green, Job Plus Maori Assets and Job Connection.

3.3.1.2 Matching programmes

- Career and personal development advice: career guidance and case manager support.
- Work testing: assessing a job seeker's labour market status and applying sanctions to them if they are considered not to be actively looking for employment, for example by reducing or suspending income support payments.
- Job search assistance: improving the intensity and effectiveness of job search. Specific programmes include Work Track and Job Clubs.

- Placement services: providing a free vacancy and placement service to employers and job seekers. Specific programmes include Work and Income (W&I) Work Brokers.
- Profiling and wage subsidies: marketing disadvantaged job seekers to employers, including providing partial temporary wage subsidies. Specific programmes include Job Plus and Job Plus Training.
- Post placement support: support for job seekers once they are in employment to encourage employment retention. Specific programmes include Post Placement Support Pilot, Into Work Pilot, In Work Support and OSCAR.
- Youth transitions: initiatives to help school leavers move into further education, training or employment: Specific programmes include Modern Apprenticeships.

3.3.1.3 Opportunity creation programmes

- Self-employment assistance: assisting people to establish their own business. Specific programmes include Enterprise Allowance, Enterprise Allowance Capitalisation and Business Training and Advice grant.
- Subsidies to firms: providing wage subsidies to enable firms to hire more workers. This type of programme is not supported in New Zealand.

3.3.2 Delivery of programmes

Alongside specific employment programmes, we also consider how best to deliver them. The effectiveness of programmes depends on how well they are matched to the needs of the job seeker. The following issues are covered in this paper:

- Contracting: New Zealand has piloted Outcomes Based Funding (OBF), a devolved model of service delivery where private contractors provide employment assistance and are rewarded for the outcomes they achieve. New Zealand has also learned lessons from contracting post-placement support services.
- Case management: The delivery of programmes is most often discussed in the context of case management. In the context of delivery, case management refers to identifying disadvantaged job seekers; identifying job seekers' needs and barriers, and referring job seekers to suitable interventions and following them up.
- Staircasing: The concept of staircasing implies that there is an optimal sequence of programmes or interventions that eventually leads a job seeker into employment. While the most appropriate forms of staircasing are not well understood, it has implicitly influenced case management in the sense that a case manager refers a job seeker to a sequence of programmes.

3.4 Recent trends in spending on ALMPs

Table 1 below shows the spending on ALMPs ('active spending') of New Zealand, Oceania, the EU and OECD between 1985 and 2000. The figures are for active spending as a percent of GDP and for active spending as a percent of total spending on labour market programmes.²

Table 1 Spending on ALMPs, 1985-2000

	Active spending (as % of GDP)				Active spending (as % of total spending on LMPs)			
	1985	1989	1993	2000	1985	1989	1993	2000
New Zealand	0.90	0.93	0.80	0.52	58.6	35.0	32.8	26.1
Oceania ^b	0.66	0.59	0.76	0.48	41.6	29.1	3.6	29.0
EU ^{a,b}	0.86	0.87	1.12	0.99	31.9	38.9	31.4	39.8
OECD ^{a,b}	0.72	0.72	0.93	0.80	34.4	38.6	30.3	39.6

Notes

a The averages are calculated including only those countries for which data are available for all of the years shown, and some missing data have been estimated by the Secretariat.

b Unweighted averages.

Source: OECD database on Labour Market Programmes (Martin and Grubb 2001)

New Zealand's spending on active measures (as a proportion of GDP) has fallen since the 1980s compared to other OECD and EU countries, where spending has increased. New Zealand's pattern of declining expenditure on active spending (as a proportion of GDP) is reflected in its active spending as a proportion of total spending on LMPs (MSD 2003c).

During the 1980s New Zealand had a more 'active' orientation compared with OECD, EU and Oceania. While New Zealand has stayed on a par with the Oceania group, its active spending as a proportion of total spending on LMPs as at 2000 was approaching two-thirds that of OECD and EU countries (MSD 2003c). In 2001/02, spending on active measures accounted for almost 32% of New Zealand's total public labour market expenditure. This figure is fairly low compared with the OECD average of 43% (LMPG 2003b). The difference between the trends in New Zealand and EU and OECD averages is that while all have experienced the same pattern of unemployment occurring over the same period of time (unemployment rates rose to a peak in 1993), New Zealand has retreated from active spending (MSD 2003c). Between 1985 and 2000, New Zealand's active spending fell from 0.90% to 0.52% of its GDP. In contrast, OECD (EU) spending increased slightly from 0.72% (0.86%) to 0.80% (0.99%) of GDP.

The evidence suggests that passive social spending can hinder growth while active social spending can promote it and that stronger activation and enforcement strategies need to be combined with benefit payments to move job seekers off welfare and into employment. New Zealand's benefit system is relatively passive compared to other OECD countries. However, there has recently been an increased emphasis in New Zealand on case management and stronger job search requirements (OECD 2003).

² An important caveat when comparing the spending in different countries is that it is difficult to interpret the cross-country differences, since they are driven by a combination of different counting methods, and different labour market/ social insurance settings (LMPG 2003b).

Despite the slight increase in OECD spending on active measures (as a proportion of GDP), OECD countries have not converted passive spending into active spending, possibly because of doubts about the effectiveness of active programmes (Martin and Grubb 2001). New Zealand has followed the OECD trend in this respect. Spending on ALMPs in New Zealand has not altered substantially since the 1990s, but there has been a shift in the emphasis of active social spending towards employment assistance interventions. Spending has increased on enhanced case-management, industry training and training for disadvantaged youth. Accompanying this shift has been a stronger emphasis on the mutual obligations of benefit recipients and clearer guidelines for case managers in sanctioning non-compliance (LMPG 2003b).

In 2001/02, New Zealand expenditure on ALMPs was \$643.9M and represented 0.54% of GDP. This compares with an average of 0.76% for all OECD countries. While below the OECD average for spending as a proportion of GDP, New Zealand's spending patterns are not outside of what is observed in countries that are considered to have effective ALMPs (LMPG 2003b). When analysing the effectiveness of ALMPs, the level of spending provides important context, although it does not necessarily equate with effectiveness per dollar spent.

3.4.1 Participation in and spending on ALMPs in New Zealand

In New Zealand, inflows of participants to ALMPs have increase since 1999, but the expenditure per person has fallen (OECD 2003). Table 2 below shows the proportion of expenditure in 2001-2002 on the different types of ALMPs in New Zealand, along with the proportion of participants in different types of programmes, based on OECD data. The largest proportion of the expenditure was on training programmes (58%), although only 27% of participants undertook training. In contrast, nearly half the participants received case management or job search assistance, but these programmes consumed only 9% of the total expenditure, indicating that these had a lower cost per participant.³

Table 2 Expenditure and participation in ALMPs in New Zealand, 2001-2002

Type of ALMP	Percent of expenditure	Percent of participants
Training	58	27
Work confidence and work experience ⁴	14	10
Case management	6	23
Job search assistance	3	26
Placement	2	0
Wage subsidies	15	12
Post-placement support	1	0.02
Self-employment assistance	3	2
Total	100%	100%
Total number	\$380.6M	190,505

Source: OECD

³ For the numbers of participants per programme in 2003, refer to Table 19 on page 74.

⁴ From the OECD data, it was not possible to neatly divide work confidence and work experience into separate categories, hence they have been added together in this table.

3.5 Comments on the evidence base

The conclusions drawn in this paper about the effectiveness of employment programmes depend on the nature and quality of the analysis of the evaluations included in the synthesis. What follows are some general points on the evidence base used for this paper.

3.5.1 Use of quasi-experimental method

New Zealand has recently developed a quasi-experimental method to evaluate the effects of programmes. This method involves selecting the groups of participants and non-participants (treatment and control groups respectively) *after* the intervention (Dar and Tzannatos 1999). See Appendix 1 on page 51 for details of this method. The main advantages of using a quasi-experimental method are its relatively low costs and that the effect of interventions can be analysed at any time. The main drawback is that this method is statistically complex (Dar and Tzannatos 1999). Randomised experiments, where the treatment and control groups are selected *prior* to the intervention, are common in the United States but have not been used in New Zealand. While randomised experiments are better than quasi-experimental techniques at attributing outcomes to the intervention, quasi-experimental methods are informative of the effectiveness of programmes in New Zealand. (See Dar and Tzannatos (1999) for a more detailed discussion and comparison of these techniques).

3.5.2 Average treatment effects

Most evaluations of New Zealand programmes report only the average impact across all participants. In some cases, impacts were estimated for specific sub-groups (e.g. Maori or women). Reporting average impact obscures evidence on the heterogeneity of effects. While average treatment effects are a useful summary, this method is less useful in identifying how programmes might be improved or in identifying the most effective programme for a specific sub-group.

3.5.3 Analysis of administrative data

Evaluations of New Zealand employment programmes have analysed administrative data. The outcome measure used to determine programme effectiveness is independence of Work and Income assistance, which includes both income support and participation in employment assistance programmes. In the absence of more detailed data, independence of W&I assistance is used as a proxy for entry into employment. While most exits from W&I assistance are for employment, other reasons for exits include the beneficiary being in prison, in education/training, travelling, deceased, or otherwise ineligible. In using the administrative data, it is assumed that participation in the programme will have an impact on participants' employment outcomes (which is reflected in increased independence of W&I assistance), and not on other outcomes such as travel overseas.

3.5.4 Limited analysis at the meso-level

So far in New Zealand, there has been limited analysis at the meso-level of programme delivery: governance, systems and structure of Work and Income and the mix of programmes. This paucity of process evaluation is reflected in the results section.

3.5.5 Generalisation across evaluations

This paper presents the results of evaluations from New Zealand and selected international meta-evaluations.⁵ Like the average effects method for programme participants referred to above, synthesising results from several evaluations leads to an overall average result for the programme type which may fail to show that some evaluations had results which were different from the overall results.

⁵ The international meta-evaluations are Martin and Grubb (2001), Dar and Tzannatos (1999) and Van Reenan (2003). These were selected because they included programmes, populations and methods which were most appropriately matched to New Zealand. Apart from American studies included in the meta-evaluations, specific American studies were not included because the populations and methods used in most of them were not as comparable to New Zealand.

4 THE RESULTS: EFFECTIVENESS OF EMPLOYMENT PROGRAMMES

In this section, evaluation results for different employment programmes are presented according to the categories introduced earlier in this document. Where available, the following information is outlined for each type of approach or programme: the policy rationale for offering it, its intervention logic, a brief description of the programme and whom it targets, and a summary of results from international and national research. More detailed national results, which are presented in the form of the impact estimate, and where available, any qualitative research findings, are in Appendix 3 beginning on page 56.

4.1 Capacity building programmes

The first group of employment programmes aims to increase the knowledge, skills, abilities and confidence of disadvantaged job seekers, who are then expected to be more likely to secure employment. The economy benefits from having a more skilled workforce that better meets the needs of industry.

4.1.1 Training

4.1.1.1 Rationale for education and training

Education and training are offered to job seekers to remedy poor educational attainment and low qualifications of job seekers. Research has established that leaving school early, combined with low levels of education, increases the risks of poor labour market prospects in terms of employment and earnings. Education is strongly associated with ease of finding a job, duration of employment and further training once in the labour market (Higgins 2003, Maloney 2004).

4.1.1.2 Intervention logic

The intervention logic of training and education is set out in Table 3 below. The direct outcome of training is increased skills, which in turn is assumed to lead to employment.

The purpose of the intervention logic is to show the steps that lead from delivering an intervention (in this case training) through to the ultimate outcome. The assumption column in the table sets out the condition for each step of the logic to affect the next. For example, the assumed condition for the output of training to lead to the outcome of increased skills is that the training is matched to the interests and abilities of the participants. The focus of evaluation is testing the intervention logic to ensure that it holds in practice.

Table 3 Intervention logic of training and education programmes

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	The reduction in unemployment of participants is greater than the increase in unemployment of substituted job seekers
Intermediate outcomes	Advantaged job seekers are substituted	Participants gain employment over previously more advantaged job seekers
	Participants gain higher skilled employment	Gain in skills leads to more successful job placements
Direct outcome	Participants gain skills and qualifications	Programme allows participants to gain qualifications or skills they would not have otherwise obtained
	Participants are less likely to move into employment while on the programme.	Training reduces the incentive to engage in job search during the training period
Output	Participants complete the training	Training is well matched to the interests and abilities of the participants
Activity	Participants undertake training	
	W&I identifies the skill gap	Job seeker cannot gain employment due to mismatch of skills to the labour market

4.1.1.3 Summary of evidence for training

Training is one of the most expensive programmes in terms of overall costs and because large numbers of job seekers participate in it, both in New Zealand and overseas. Evaluations from OECD countries suggest a mixed track record of effectiveness, partly because of the cost (Martin and Grubb 2001). Overall, the international evidence indicates that education and training programmes do not increase the employment or earning outcomes of participants (MSD 2003c).

However, some groups do benefit from training. The international evidence shows that training programmes for the long-term unemployed can help when the economy is expanding (Dar and Tzannatos 1999). Positive results have consistently been reported for adult women returning to the labour market (Martin and Grubb 2001). On the other hand, training has been ineffective for out-of-school youths (Martin and Grubb 2001) or people with low qualifications (MSD 2003c) suggesting that short duration post-school training is ineffective at correcting failure within the primary and secondary education systems (Dar and Tzannatos 1999). Results of training programmes from the United States have been ‘disappointing’ for young men; however, ‘the US target group of disadvantaged are more likely to be “hardcore” jobless whose human capital is very difficult to raise’ (Van Reenen 2003:13).

In New Zealand, the two training programmes offered are Training Opportunities (TOPs) and Training Incentive Allowance (TIA). Youth Training is offered to youth, and has not been covered in this paper. TOPs consists of short-term (2-40 weeks) foundational or vocational skill courses targeting job seekers with low or no qualifications with a history of unemployment, although others can participate. TIA provides financial assistance to job seekers receiving a domestic purposes benefit (DPB), an invalid’s benefit (IB) or a widow’s benefit (WB) to enable them to undertake employment-related training which can include tertiary education.

The New Zealand experience is broadly consistent with the international evidence. TOPs and TIA show a modestly positive post-participation effect. However, the locking-in effects of TOPs tend to cancel its positive post-participation effect, leading to a small

overall positive impact. Similar results have been reported from Sweden (Calmfors et al 2002). TIA, on the other hand, does have a sustained positive impact on DPB sole parents' likelihood of being independent of W&I assistance. Overall, in New Zealand, training appears to benefit some groups, in particular, the long-term unemployed and DPB recipients. In addition, in contrast to the international evidence, TOPs had a higher than average impact on under 20 year old participants.

4.1.1.4 Policy implications

Below are some of the messages to come from the evaluation literature. The first is that prevention is better than cure. Where possible, effort should go into measures to ensure basic learning and behaviour of children (under 15 years) (MSD 2003c). To address the needs of those already in the workforce, international studies identify four important features of effective training programmes:

- tightly targeted at groups shown to benefit
- small scale
- tightly targeted to the needs of participants who gain recognised and valued qualifications
- have an on-the-job component with strong links with local employers (Martin and Grubb 2001).⁶ Layard (2003) suggests that training is most likely to succeed when linked to a job that has already been secured.

This suggests that general, non-job specific training programmes are not desirable (MSD 2003c).

While skills are the main determinant of productivity, Layard (2003) proposes a 'work first' approach instead of 'training first' to lead to employment outcomes.

4.1.1.5 Unanswered questions

There are several gaps in our knowledge of training programmes in New Zealand:

- In New Zealand we have little information on the impact of different types of training courses on participants' outcomes.
- Why does training have such a modest impact: does training fail to increase the skills and qualification of participants or does the gain in skills and qualifications have little impact on employment outcomes?
- What is the effect of a gain in qualifications on employment outcomes, especially on wage rates over time?
- Does it matter that many TOPs courses which focus on basic skills do not result in a qualification at all?

⁶ However, training programmes which have strong links with local employers are believed to encourage displacement (Martin and Grubb 2001).

4.1.2 Work confidence

4.1.2.1 Rationale for work confidence

Work confidence programmes are designed to keep job seekers who may have withdrawn from the labour market in an active state and increase their chances of gaining employment by bolstering their confidence and motivating them to engage in job search (de Boer forthcoming c).

4.1.2.2 Intervention logic

The intervention logic of work confidence programmes is set out in Table 4 below.

Table 4 Intervention logic of work confidence programmes

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	The reduction in unemployment of participants is greater than the increase in unemployment of substituted job seekers
Intermediate outcomes	Advantaged job seekers are substituted	Participants gain employment over previously more advantaged job seekers
	Participants gain employment	Increased confidence will lead participants to intensify job search
	Participants increase their participation in education or training	Increased confidence will lead participants to undertake further education/ training
Direct outcome	Participants gain in confidence	The programme is able to increase participants' confidence levels
	Participants are less likely to move into employment while on the programme	Participation reduces time available for job search
Output	Participants complete the course	
Activity	Participants undertake the course	
	W&I identifies job seekers who need confidence building	Job seeker less likely to undertake job search or education/ training due to low confidence

4.1.2.3 Summary of evidence for work confidence

There is not much international literature on work confidence programmes because these tend to come under the umbrella of job search assistance. There are three work confidence programmes in New Zealand: Outward Bound, Limited Services Volunteers (LSV), and Residential Motivational Training (RMT). These are short courses, focused mainly on the long-term unemployed, which aim to bolster the general confidence of participants. The evidence from New Zealand is that work confidence programmes do not improve participants' employment prospects.

4.1.2.4 Unanswered questions

- To what extent does confidence influence the likelihood of gaining employment?
- Do the programmes do in fact increase participants' confidence on completion?
- Why does increased confidence not necessarily lead to increased employment outcomes?
- Would community-based programmes addressing confidence be more effective?

4.1.3 Work experience

4.1.3.1 Rationale for work experience

Work experience is offered to help job seekers to be ‘work ready’ – to develop a work ethic and work habits, including getting up and presenting themselves at a workplace where they get used to a work setting. The other rationale for it is to enable job seekers to get a reference from an employer that should enable them to compete for a job. Work experience programmes run for a limited time, providing a balance between preventing the job seeker from being exploited (as they get paid the unemployment benefit and a small allowance), yet spending enough time gaining work experience to be ‘work ready’.

4.1.3.2 Intervention logic

The intervention logic of work experience programmes is set out in Table 5 below.

Table 5 Intervention logic of work experience programmes

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	The reduction in unemployment of participants is greater than the increase in unemployment of substituted job seekers
Intermediate outcomes	Advantaged job seekers are substituted	Participants gain employment over previously more advantaged job seekers
	Participants gain higher skilled employment	Gaining work experience leads to more successful placements in higher quality employment
Direct outcome	Participants gain work experience	Programme allows participants to gain work experience they would not have otherwise obtained
	Participants are less likely to move into employment while on the programme	Participation reduces time available for job search
Output	Participants complete some time in a workplace	
Activity	Participants spend some time in a workplace	
	W&I identifies eligible job seekers	Job seekers cannot gain employment due to not being ‘work ready’, which work experience can remedy

4.1.3.3 Summary of evidence for work experience

There is little international literature on work experience programmes. However, many countries have public works programmes in one form or another, and in fact, these are one of the most heavily funded programmes in OECD countries (Dar and Tzannatos 1999). Such programmes are the closest to New Zealand’s work experience programmes – both provide an experience of employment and both operate in sectors such as community or local government and education. Public works programmes have two main objectives – to provide temporary employment and to function as a short-term safety net. They usually target the long-term unemployed, but in some countries, youth participate as an introduction to the world of employment (Dar and Tzannatos 1999).

While public works programmes may provide a break from unemployment for individuals, overall they tend to have high displacement rates, do not have a significant impact on reducing long-term unemployment and are expensive. Participants have a lower chance of being employed in a non-assisted job following participation and are likely to earn less than control group participants. However, in some countries of the former Soviet Union

where such programmes cater to people who want a short stint of employment (e.g. women with young children), such issues are not a concern (Dar and Tzannatos 1999).

The evidence from the Work for the Dole (WfD) programme in Australia is more positive. The programme, which aims to develop work habits in young unemployed people, was found to have a net impact of 13%. WfD compared favourably with programmes previously operating in the mid-1990s in Australia (DEWRSB 2000).

New Zealand offers two types of work experience programmes focusing mainly on the long-term unemployed – with and without a wage subsidy. The evidence from New Zealand for work experience programmes is mixed. Community based programmes where the participant continues to receive income assistance have no impact. Programmes in this group include Community Taskforce, Community Work and Activity-in-the-Community. On the other hand, work experience programmes where participants are subsidised show a positive impact on participants. Programmes in this group include Job Connection, Taskforce Green and Job Plus Maori Assets.

While work experience programmes may not always have a positive impact on employment, they do have other benefits. For example, for voluntary programmes participants have a sense of social participation and contribution to society. Moreover, these programmes provide resources to social and environmental projects that would otherwise not be done.

4.1.3.4 Unanswered question

- What are the reasons for the difference in impact between community work experience programmes with and without a wage subsidy?

4.1.4 Summary of evidence for capacity building programmes

Capacity building programmes aim to increase the abilities, skills and experience of job seekers so that they are more attractive to employers or are motivated to enter the labour market (de Boer 2004). The approach is based on the assumption that motivated, skilled and experienced job seekers are more likely to gain successful job placements. In addition, capacity building programmes have the benefit of addressing areas of skill shortage.

Most capacity building programmes target job seekers who have been long-term unemployed or are deemed to be at risk of long-term unemployment, or job seekers who are disadvantaged in other ways, such as female sole parents. In 2001-2002, nearly three-quarters of the expenditure on programmes was on capacity building programmes, but only 37% of participants took part in these programmes, making them expensive programmes to deliver.

While overall, the New Zealand evidence for **training, work confidence and work experience** programmes is that they are not particularly effective at improving employment outcomes, these programmes are effective for some sub-populations, such as training for women, youth and the long-term unemployed. Work experience programmes with a wage subsidy are effective overall. The overall result raises the question of whether these programmes are targeted at groups who are most likely to benefit from them.

Training appears to benefit job seekers who have a base level of education but are not so highly educated that they will receive no further benefit. Because of the limited effectiveness of training programmes and because they are among the most expensive programmes, where offered, they need to be appropriately targeted, small scale and include an on-the-job component.

4.2 Matching

In an effective labour market, job seekers need to be able to find and keep employment. The second group of employment programmes aims to speed matching between job seekers and job opportunities by motivating them to look more intensively for employment as well as by providing them with more effective techniques in finding and securing vacancies. Economic benefits come through faster filling of vacancies and reducing employers' recruitment costs (MSD 2003c).

4.2.1.1 Intervention logic

The intervention logic of matching is set out in Table 6 below.

Table 6 Intervention logic of matching

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	Reduction in the time to fill vacancies increases labour demand
Intermediate outcomes	Non-participating job seekers are substituted	Participants gain employment over other job seekers. Substitution effects should be less than the benefits to participants
Direct outcome	Participants are more likely to gain employment	Placement reduces the expected time they would have been unemployed
Output	Participants placed into employment (may include a wage subsidy)	Participants are motivated to work and are able to do the job
Activity	Participants are profiled by employers	Work Brokers identify disadvantaged job seekers who can do the job
	W&I identifies participants who employers are unwilling to hire	Employers may be risk averse and choose not to hire some participants because of their characteristics (eg long term unemployed or recent migrant)

4.2.2 Career and personal development advice: Career guidance and case manager support

4.2.2.1 What is this approach?

For the purposes of this report, case management has been divided into two functions: advising job seekers about work goals and ensuring active job search; and assessing job seekers and referring them to interventions. Although the two roles overlap, the second role involves matching a job seeker to one of the numerous interventions, while the advice role itself is an intervention. This section covers the case management role of giving career advice, identifying barriers to employment, assisting job seekers to develop employment aspirations, helping job seekers to set action steps and achieve their objectives, while the section on delivery of programmes covers the case management role of assessing and referring job seekers to interventions.

4.2.2.2 Intervention logic

The intervention logic of case management (advice role) is set out in Table 7 below.

Table 7 Intervention logic of case management (advice role)

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	There will be reduction in unemployment through a more efficient labour market
Intermediate outcomes	Advantaged job seekers are substituted	Increase in labour market participation helps to reduce frictional unemployment
	Participants gain employment	Increased job search assistance and advice increase job seekers' chances of finding employment
Direct outcome	Increase in job seekers' job search and labour market participation	Regular contact with the case manager ensures job seekers are aware of their job search obligations and receive assistance when appropriate
Output	Participants complete job seeker plan	The job seeker plan matches the needs and abilities of the participants. Sanctions are applied where participants fail to meet obligations
Activity	Participants are given advice.	
	The case manager identifies whether participants require advice	Jobs seekers chances of gaining employment are diminished by lack of motivation or confidence

4.2.2.3 Summary of evidence for case management

Internationally, case management has been shown to reduce the duration of unemployment, particularly where there are strong 'work first' messages. However, while strong 'work first' messages help move people into employment faster, it may be at the expense of achieving quality employment matches (MSD 2003c; Higgins 2003). Yet, Layard (2003) proposes that there is a strong case for being in employment, even if the employment is not ideal. To a job seeker 'a bad job brings more happiness than being unemployed'; to taxpayers it leads to lower benefits and more taxes; and to employers it results in higher profits (Layard 2003:2).

There is currently no systematic evidence on case management in New Zealand.

4.2.3 Work testing

4.2.3.1 What is work testing?

Work testing involves assessing a job seeker's labour market status and applying sanctions (for example, by reducing or suspending income support payments) if they are considered not to be actively looking for employment. Within the case management approach, in the 1990s, there was increased emphasis on a 'work first' message and the introduction of 'work testing'. Unlike the more supportive aspects of case management, the work test is a compliance measure. The work test is based on the assumption that ensuring compliance increases the intensity of job search and reduces the level of frictional unemployment.

4.2.3.2 Summary of evidence for work testing

Overall, the results from two evaluations of work testing for DPB and WB recipients in New Zealand indicate that when consistently delivered, the work test is likely to lead to reduced dependence on W&I assistance, even if it is through a 'signalling effect'.⁷

⁷ The 2002 DPB reforms removed the Work test for DPB recipients. Enhanced Case Management is now used to address the barriers of DPB recipients to employment.

4.2.3.3 Unanswered question

- What is the contribution of work testing on sustainable employment outcomes for work-tested beneficiaries?

4.2.4 Job search assistance

4.2.4.1 Rationale for job search assistance

A very basic tool of publicly funded employment assistance, job search assistance is generally the first form of assistance provided to job seekers. The rationale behind it is that if job seekers lack the basic skills of job searching such as applying and interviewing, teaching them these skills will speed up matching job seekers to job opportunities.

4.2.4.2 Intervention logic

The intervention logic of job search assistance programmes is set out in Table 8 below.

Table 8 Intervention logic of job search assistance programmes

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	The reduction in unemployment of participants is greater than the increase in unemployment of substituted job seekers
Intermediate outcomes	Non-participating job seekers are substituted	Participants gain employment over other job seekers. Substitution effects may cancel out any participant impact
	Participants are more likely to gain employment	Increased job search increases the chances of a participant finding work
Direct outcome	Participants increase the intensity and effectiveness of their job search	Participants are motivated to increase their job search activities
Output	Participants complete the job search programme	Participants are motivated to increase their job search activities
Activity	Participants receive job search assistance	
	W&I identifies lack of job search skills or activity	Job seeker cannot gain employment due to lack of job search activity

4.2.4.3 Summary of evidence for job search assistance

Overall, the international evidence is positive – job search assistance is among the most successful interventions partly because it is the most cost effective (Dar and Tzannatos 1999). In the Canadian Self-Sufficiency Plus Project, participants who received job search assistance in addition to an earnings supplement had better outcomes than participants who received just the earnings supplement (LMPG 2002). Job search assistance has been found to be effective in terms of employment and often earnings as well, although, youth generally require additional assistance, particularly training (Higgins 2003). Because job search assistance is a form of matching, it works best at times when the economy is expanding and more jobs are being created (Dar and Tzannatos 1999). However, job search assistance is seldom offered in isolation, so its effectiveness can be difficult to distinguish from that of other interventions (Higgins 2003).

The timing of job search assistance can influence its effectiveness, with assistance early in an unemployment spell believed to be more effective (Higgins 2003). In the US, job search assistance has often been combined with increased monitoring; however, tougher monitoring by itself seems ineffective (Van Reenen 2003).

In New Zealand, job search assistance is given in the programme Work Track, an early intervention for job seekers at risk of long-term unemployment. The New Zealand evidence is inconsistent with the international picture. Evaluation of Work Track showed a very small positive impact and hence its effectiveness is considered ambiguous.

4.2.4.4 Unanswered questions

- Why does the New Zealand pattern differ from the international one? Can this be a result of differences in labour markets, the effectiveness or delivery of the programme itself, or different evaluation methods?

4.2.5 Placement services: Work and Income Work Brokers

Work Brokers develop relationships with employers to place job seekers in employment. For this, they need to have a good knowledge of the labour market so as to identify opportunities that match the skills of job seekers on the unemployment register. They represent the demand side of the labour market, while case managers represent the supply side. Work Brokers have the option of offering financial assistance to employers to compensate them for taking on a job seeker they would not normally hire. The financial assistance is in the form of a wage subsidy, usually Job Plus (de Boer forthcoming d).

At the time of writing, there was no evaluative information on Work Brokers.

4.2.6 Profiling and wage subsidies: Job Plus, Job Plus Training

4.2.6.1 Rationale for wage subsidies

Wage subsidies are job matching programmes that help place job seekers into employment. Wage subsidies are expected to compensate the employer for the perceived or actual risk of hiring the participant, thereby providing an incentive for firms to take on those disadvantaged in the labour market (de Boer 2002). Over the duration of the subsidy, the participant develops job related skills and becomes a fully productive worker. After the subsidy, it is expected that the participant will remain with the employer (de Boer forthcoming d). Economic benefits come through moving disadvantaged job seekers into higher skilled work and improving the match between labour supply and demand.

4.2.6.2 Summary of evidence for wage subsidies

The international evidence for the effectiveness of wage subsidies is mixed. They appear to help women and the long-term unemployed enter the labour market (Martin and Grubb 2001, Dar and Tzannatos 1999) and in Australia, they led to ongoing employment for Indigenous job seekers (DEWR 2003). Evaluations in several OECD countries have shown that wage subsidy programmes have a greater impact than training programmes or direct job creation measures (Martin and Grubb 2001). While there appear to be many benefits of wage subsidies, there are a number of drawbacks that need to be considered. Wage subsidy programmes may be vulnerable to abuse by employers and so it is necessary to monitor employer practice closely. Close monitoring of firms, however, may lead to

less participation in the scheme. The close targeting of wage subsidy programmes to disadvantaged groups may cause a stigmatisation effect (Higgins 2003). This is believed to be partly the reason that wage subsidies have a low take-up rate and have not proven successful in the United States (Van Reenen 2003). On the other hand, if the programme is successful, non-participants may benefit from wage subsidy schemes by altering employer recruitment practice (Higgins 2003). Wage subsidies carry significant risks of substituting similarly disadvantaged job seekers as well as high deadweight loss (Dar and Tzannatos 1999; Martin and Grubb 2001).

The New Zealand evidence from its two wage subsidy programmes, Job Plus and Job Plus Training, is for a positive impact lasting up to 5 years.

4.2.6.3 *Unanswered question*

- To what extent are participants placed into a job at a higher skill level than they would have secured without the wage subsidy at the time of employment?

4.2.7 *Post-placement support*

4.2.7.1 *Rationale for post-placement support*

A high proportion of job seekers who move into employment return to the benefit after a comparatively short period of time. The likelihood of returning is highest immediately after exiting from the benefit, decreasing up to three months, after which the probability of returning remains relatively constant. Although some short employment spells are due to temporary work, it is also thought that job seekers who exit employment and return to the benefit do so because they have trouble adjusting to work. The role of post-placement support is to help mitigate the problems incurred during this transition period. Post-placement support can be either financial, to assist with cash flow problems that occur with the initial period of employment, or direct support and assistance.

4.2.7.2 *Intervention logic*

The intervention logic of post-placement support programmes is set out in Table 9 below.

Table 9 Intervention logic of post-placement support programmes

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	Reduction in the time-cost to employers of filling vacancies and job seekers spend more time in employment overall
Intermediate outcomes	Non-participating job seekers are substituted	Increased retention will reduce subsequent vacancies filled by other job seekers
Direct outcome	Participants are more likely to remain in employment	Post-placement support reduces the chances of participants leaving employment
Output	Participants make use of post-placement support	Barriers to participants remaining in employment are addressed
Activity	Participants receive post-placement support	Providers identify barriers that participants face in retaining their employment
	W&I identifies participants who face barriers to remaining in employment	Job seekers may not take up employment because of the costs of taking it up or may return to benefit due to problems in transitioning to employment

4.2.7.3 Summary of evidence for post-placement support

New Zealand has piloted 3 post-placement support programmes: Post Placement Support Pilot (PPS), Into Work Pilot and, for Māori and Pacific participants, In Work Support Pilot. Further evidence comes from an evaluation of the Out of School Care and Recreation (OSCAR) subsidy. The New Zealand evidence on post-placement support is fairly limited. In contrast, America has piloted a greater range of interventions. Yet, the evidence from both countries indicates little impact on employment retention (DoL 2002). The Portland Oregon Welfare to Work programme indicates that the better the job match to the job seeker's needs, income, interest and skills, the more likely that the job seeker will retain the employment, suggesting the importance of pre-employment measures to maximise the job match (DoL 2002).

4.2.7.4 Policy implications

The following lessons have been identified:

- Interventions should operate as a continuum, integrating pre- and post-employment services.
- Because job seekers face a diverse range of issues, interventions should include a range of social services.
- The emphasis should shift from placement in any job to maximising the initial job match.
- Because workplace issues influence employment retention, employers need to be involved (DoL 2002).

4.2.7.5 Unanswered question

- Why does post-placement support have little impact on employment retention?

4.2.8 Youth transitions

4.2.8.1 Rationale for youth measures

Many countries have specific policies focusing on youth employment for the following reasons (among others): as young people move from education to employment, they negotiate increasingly complex transition processes; high rates of youth unemployment; and early and protracted periods of unemployment can have lasting effects on people's labour market prospects (Higgins 2003). In New Zealand, youth includes job seekers aged under 24 years.

4.2.8.2 Youth transitions in New Zealand

To help youth struggling to get into employment, New Zealand has various forms of targeted labour market assistance, as part of its range of employment programmes. From the mid-1970s until 1984, governments used job creation schemes. Since 1984, the emphasis has shifted to training programmes as well as to job search assistance. In contrast, other OECD countries have formal institutionalised structures to assist youth,

such as the dual apprenticeship system in some European countries (Higgins 2003) or the formal relationships between individual schools and firms in Japan (Higgins 2003). In her excellent review of labour market programmes for youth, Higgins (2003) contrasts the two approaches and summarises their pros and cons. She sums up that ‘well developed, vocationally specific pathways between education and employment can be highly effective in integrating young people into the labour market’ (Higgins 2003:10). While different approaches work in different contexts, Higgins concludes that ‘an infrastructure that aids the efficient matching of young job seekers with jobs may help to prevent some of the problems associated with early and repeated spells of unemployment among school leavers’ (2003:10).

New Zealand has a number of programmes in place to assist young people into employment. These include Youth Training, Gateway, Modern Apprenticeships, Skill Enhancement, etc. What is notable about these programmes is that they have dual objectives of outcomes in employment and education.

4.2.8.3 Modern Apprenticeships in New Zealand

While New Zealand does not currently have a system of mass apprenticeships, it does offer apprenticeships.

Introduced in 2001 following concerns about the number and quality of apprenticeships for young people, Modern Apprenticeships are a workbased education initiative for young people. They offer young people quality workplace learning leading to a nationally recognised qualification. The qualification provides vocational skills, as well as generic skills such as communication, information technology and business skills which are useful for a variety of occupations. An Apprenticeship Co-ordinator helps the employer organise training, and provides mentoring support for the apprentice. Modern Apprenticeships are now available in 30 industries, including new high technology areas in addition to traditional trades. They are administered by the Tertiary Education Commission (TEC). There are plans to increase the number of Modern Apprentices to 6,500 by June 2004 and 8,000 in 2006. Several groups (women, Māori, Pacific Islanders, people with disabilities) are under-represented in Modern Apprenticeships; the TEC is beginning work on a strategy to address this. An evaluation of Modern Apprenticeships has been proposed; this is expected to be undertaken by TEC during 2004.

In this paper the effects of programmes on youth are covered under the various types of programmes, where relevant. Higgins (2003) provides a good review of the evidence on youth.

4.2.8.4 Summary of international evidence on youth measures

The evidence from special measures for disadvantaged youth is that such measures are not effective, whether for public training programmes, targeted wage subsidy measures or direct public sector job creation schemes (Martin and Grubb 2001). Dar and Tzannatos (1999:25) conclude that ‘it is very difficult to correct what appears to be a failure of the education system during the previous 5-10 years of the youth’s life with some kind of training which is usually short in duration and takes place relatively late in life’.

4.2.8.5 *Policy implications*

The following are believed to be ‘five precepts for success’, based on successful education and training programmes from the US (quoted in Martin and Grubb 2001:30):

- ‘effective programmes have a close link to the local labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement
- they contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner
- they provide youths with pathways to further education so that they can continue to develop their skills and competencies
- they provide a range of supporting services, tailored to the needs of the young people and their families and
- they monitor their results and use this information to improve the quality of the programme.’

4.2.9 Summary of evidence for matching programmes

Matching services aim to accelerate the placement of job seekers into appropriate job vacancies and to help them remain in employment once placed. Matching services are justified on the assumption that the prompt filling of vacancies will increase the level and reliability of labour supply. In so doing, employers are able to increase production and labour market demand.

Matching services target disadvantaged job seekers because either they have difficulty marketing themselves to employers or they are likely to have difficulty making the transition from benefit to employment.

In 2001-2002, just over a quarter of the expenditure on employment programmes was on matching programmes, but 61% of participants took part in these programmes, indicating that they have a lower cost per participant.

Of all the matching services, **wage subsidies** are among the most effective at increasing participants' employment outcomes, particularly for women and the long-term unemployed. In New Zealand, it costs more to have someone on the unemployment benefit than on a wage subsidy. The disadvantage of wage subsidies is that they have a high risk of substituting disadvantaged job seekers. However, these wider effects are difficult to measure.

Job search assistance is considered to be among the most successful interventions internationally (in part because of its apparent cost effectiveness). In New Zealand its effectiveness is ambiguous, with a modest positive impact. International evidence suggests that job search assistance is best provided early in the unemployment spell and when combined with other measures such as in-depth counselling, job-finding incentives and monitoring of job search activity (Martin and Grubb 2001).

Internationally, **case management** is considered effective at reducing the duration of unemployment. The only evidence on work testing from New Zealand indicates that when consistently delivered, it is likely to lead to reduced dependence on W&I assistance, even if it is through a 'signalling effect'.

Post-placement services in New Zealand were not found to improve employment retention. However, this may have been a result of issues around the implementation of the pilot programmes.

This paper included **youth measures** under matching even though New Zealand does not have any specific policies targeted at youth. Modern Apprenticeships, a revamped form of apprenticeships, has yet to be evaluated. The international evidence on youth measures indicates that none have been effective so far. However, in New Zealand, training has been successful in getting youth into employment.

4.3 Opportunity creation

The third group of employment programmes aims to directly grow employment. The only type of employment programme delivered by W&I that does this is self-employment assistance. Other countries offer public works programmes under this category of programme; however, such programmes have been included under work experience programmes in this paper.

4.3.1 Self-employment assistance

4.3.1.1 Rationale for self-employment assistance

Self-employment assistance programmes aim to address barriers which job seekers face when moving into self-employment. The barriers can be in the area of requisite skills or financial resources. Self-employment assistance is supposed to be used only where it will significantly increase the probability of the job seeker achieving the expected outcome (MSD 2001).

4.3.1.2 Intervention logic

The intervention logic of self-employment assistance is set out in Table 10 below.

Table 10 Intervention logic of self-employment assistance

Level	Stage	Assumption
Ultimate outcomes	Increase in net employment	Creating new businesses increases overall employment within the economy
Intermediate outcomes	Displacement of job seekers and workers	New business may displace employment in competing firms. Displacement effects should be less than the benefits to participants
Direct outcome	Participants are more likely to remain self-employed	Setting up a business reduces the expected time that some job seekers would have been unemployed
Output	Participants set up firm and are subsidised during the start up phase	Participants are motivated to develop their business
Activity	Participants develop a business plan and are funded to set up their business	Participants need mentoring to develop their business and need access to cheap capital
	W&I identifies job seekers who are able to set up their own business	Some job seekers can set up their own business rather than look for employment

4.3.1.3 Summary of evidence for self-employment assistance

The consensus is that this form of assistance is suitable for only a small subset of job seekers who have the education, skills and confidence to set up their own business (Martin and Grubb 2001, Dar and Tzannatos 1999). Controlled experiments in the United States suggest that this group is men, mainly aged 30-40 years, with relatively high levels of education (Martin and Grubb 2001). Self-employment programmes have a positive impact on participants' outcomes, both in New Zealand and overseas. However, the deadweight and displacement effects of self-employment assistance are believed to be high (Dar and Tzannatos 1999) and vary according to the industry the participant enters. Industries with tight profit margins and high labour costs are more at risk of producing significant displacement effects (MSD 2003c). There is a high failure rate of businesses started up

this way, so mentoring and business counselling are important (Dar and Tzannatos 1999) along with financial assistance. There is not enough evidence to draw any conclusions about cost effectiveness of self-employment assistance (Dar and Tzannatos 1999).

New Zealand's employment assistance programmes Enterprise Allowance, Enterprise Allowance and Capitalisation, Business Training and Advice Grant provide financial assistance to job seekers setting up their own business. Self-Start, administered by Workbridge, is a programme for people with disabilities. It provides some financial assistance to meet the additional costs of accommodating the disability, and can be used in combination with Enterprise Allowance. While these are all small programmes, the evidence is that Enterprise Allowance and Capitalisation has a positive impact on participants, even after 5 years.

4.3.1.4 Unanswered question

- There is little information available on the size, duration and turnover of the new businesses set up.

4.3.2 Summary of evidence for opportunity creation programmes

The only type of opportunity creation programme in New Zealand aims to directly grow employment by assisting eligible job seekers set up their own business. The approach is based on the assumption that creating new businesses will increase the overall level of employment within the economy and that some job seekers will reduce their duration of unemployment by setting up their own business. These programmes target the long-term unemployed.

In 2001-2002, only 2% of participants in programmes were at the receiving end of such programmes, while spending was 3% of the expenditure on programmes for the year. This is consistent with the evidence that is that only a small proportion of job seekers have the education, skills and confidence to set up their own business.

4.4 Delivery of employment programmes

The way a programme is delivered can influence its effectiveness. W&I contracts at least \$250 million of employment-related services. It has piloted contracting delivery to private providers, but uses mainly contracted case management.

4.4.1 Contracting employment services

4.4.1.1 Rationale for contracting

Employment assistance has traditionally been delivered through a public employment agency with funding based on the delivery of outputs. It can be argued that this model provides insufficient incentive to those responsible for delivery to ensure that services are efficient and effective. An alternative approach is to contract employment services to providers in the private sector, with payment conditional on the outcomes achieved, without restrictions on how the outcomes are achieved.

In New Zealand, W&I in one of its forms (currently, part of MSD) implements and delivers employment assistance. Between August 2001 to December 2002, Outcomes Based Funding (OBF), a devolved model of service delivery, was piloted in New Zealand in five W&I regions.

4.4.1.2 Summary of evidence for contracting

Australia has implemented a competitive ‘market’ model of employment assistance since 1998, called ‘Job Network’. Based on its experiences, the Australian Government is moving towards reduced competition with fewer, larger providers in the employment services market, that are more highly regulated by the government (LMPG 2003a).

The evidence from Australia suggests that employment outcomes under Job Network were somewhat improved from those experienced previously under ‘Working Nation’. However, there were large variations in job seeker outcomes – not all job seekers were benefiting equitably from the Job Network approach. In particular, outcomes for youth and indigenous job seekers were poor. Services offered to many job seekers were quite fragmented – there was no overall record of the services offered, and if job seekers changed providers they could end up not receiving some services or receiving services twice. In addition, harder-to-place participants were ‘parked’ (LMPG 2003a).

The evidence from the OBF pilot in New Zealand is for a strong short-term positive impact for some job seekers that slowly diminishes over the medium to long term. The pilot identified many of the same issues as was found in the Australian experience.

While the evidence does not reject the use of outcomes to increase effective service delivery, it suggests that considerable care needs to be taken in the outcomes that are contracted.

4.4.1.3 *Broader lessons from New Zealand include*

- assistance provided is closely associated with the contracted objective (e.g. the objective of employment outcomes leads to job search/matching rather than training)
- payment for employment outcomes is useful where clients are work ready
- payment for outcomes is a useful contract delivery tool, but does not determine the appropriate mix of employment assistance for clients
- there are considerable issues around dealing with hard to place clients

4.4.2 *Case management*

Case management is the process of facilitating an individual job seeker's entry into employment. The scarce international research on case management points to a few findings – firstly, that targeting assistance to job seekers at risk of long-term unemployment is more beneficial than broadly covering a wider group of job seekers (Higgins 2003) and secondly, that the skill of case managers at matching job seekers with the right intervention can influence the success of case management (Joyce and Pettigrew 2002). Australia and the United Kingdom have both recently adopted a targeted approach in Working Nation and the New Deal for Young People, respectively (Higgins 2003). Broad coverage of job seekers is not as successful because many of these job seekers would have found work anyway (Higgins 2003). New Zealand has not yet systematically evaluated case management.

4.4.2.1 *Policy implications*

The following factors have been identified by the Ministry of Social Development as important in determining effective delivery from a service organisation, such as one delivering case management:⁸

- a highly trained and highly skilled labour force
- staff activities which centre on developing relationships with job seekers to modify job seeker behaviour
- caseload sizes which permit the desired relationships between case manager and job seeker to develop
- capacity for handling and analysing very large numbers of service transactions (information technology)
- effective technology for assessing job seekers' potential to change and their management through that change (MSD 2003c).

⁸ The sources for these factors are James R Evans & William M Lindsay (2002) *The Management and Control of Quality* (Fifth Edition), South-Western, Thomas Learning™ and Y Hasenfeld & D Weaver (1996) *Enforcement, Compliance, and Disputes in Welfare-to-Work Programs*, *Social Service Review*, 70, 235-256.

4.4.2.2 *Unanswered questions*

- How do case managers decide which programme works for different types of job seekers and how efficient is this method?

4.4.3 *Staircasing*

4.4.3.1 *What is staircasing?*

The term staircase refers to the progressive steps that a job seeker takes in moving towards employment. Staircasing is a process whereby job seekers move through a sequence of interventions, which logically build one upon the other and have a cumulative effect, with the purpose of stepping closer to and eventually into employment (LMPG 2001b).

4.4.3.2 *Rationale for Staircasing*

Staircasing does not appear to be clearly defined. A literature review of staircasing found little explicit reference to either staircasing within strategic or operational policy documents or to the effectiveness of staircasing in practice within evaluation material. Therefore it concluded that the theories and practices that relate to staircasing are based on implicit rather than explicit assumptions (LMPG 2001b).

In the past, the delivery of employment assistance through the New Zealand Employment Service (now W&I) was based on the concept of individualised employment assistance whereby individualised plans were used to identify job seekers' needs and the steps they needed to take to head towards or into employment. The formation of Work and Income New Zealand (now W&I) in 1998 saw the continuation of individualised assistance, and the introduction of a case management approach to working with job seekers (LMPG 2001a). Staircasing has implicitly influenced case management in the sense that a case manager refers a job seeker to a sequence of programmes.

4.4.3.3 *Summary of evidence for staircasing*

A literature review found that the term staircasing did not appear to feature in the international literature, nor was there a great deal of discussion related to the sequencing of interventions. There was some mention of the potential for varying the mix or combinations of programmes within the context of individualised action plans for job seekers. The extent to which particular combinations are used, and details about the timing of these interventions, how they are used, and for whom, is not well addressed within the literature (LMPG 2001a).

While research suggests that training is often more effective if combined with relevant and realistic work experience, there was no analysis of the timing and sequencing of such programmes or the extent to which such factors affect different groups of job seekers (LMPG 2001a).

California's Greater Avenues for Independence Program (GAIN) and the San Diego Saturation Work Initiative Model (SWIM) are based on a sequence of steps or services. Evaluations of these two programmes have focused on the success or otherwise of the programmes in moving people into employment, rather than on the logic or the practical operation of particular sequences, or on whether there was a particular mix of programmes that worked well for certain job seekers (LMPG 2001a).

The limited New Zealand evidence suggests that staircasing is more relevant at an operational rather than policy level. Instead of specifying a fixed path of interventions, allowing case managers the flexibility to mix and match interventions to cater to individual job seekers appears crucial to the staircasing model (LMPG 2001b).

4.4.3.4 Unanswered question

- Is it possible to identify effective combinations of employment programmes or are combinations of interventions unique to individual job seekers?

4.4.3.5 Policy implications

Understanding the combinations and sequences of interventions that are effective is key to gaining a better understanding of what works for whom and in what circumstances.

5 DISCUSSION

5.1 Why evaluate employment programmes?

Policy makers have a key interest in understanding the role that employment programmes have in labour market performance and net employment gains. An important part of this understanding lies in answering questions such as which programme works for whom and why use certain approaches with certain people under certain circumstances. These questions are important to answer given the level of expenditure on programmes in New Zealand (\$643.9M in 2001/02) and because of the number of participants in them (at least 190,000 in 2001/02). Answering these will also lead to improvements in the effectiveness of programmes themselves.

The Department of Labour first undertook a synthesis of employment programme evaluations in 1998. This report identified the need to develop consistent outcome measures, predefined success criteria for programmes and robust measures of the cost or cost effectiveness of programmes (Anderson 1998). These were all necessary precursors to being able to generate comparative information. This paper both provides an update to the work and allows us to see what we have learnt since then. As the evidence in this paper indicates, we have made significant gains in answering the questions as a result of which we have a reasonable picture of the effectiveness of different employment programmes, but we still need to do more research. Evaluators have developed consistent outcome and impact measures and have begun to measure the direct fiscal costs and benefits of programmes, allowing comparisons across different programmes and groups of programmes to be made.

This report has tried to address the questions above by synthesising the evidence of individual evaluations of programmes or groups of similar programmes. Most of the recent New Zealand evaluations have used quasi-experimental methods, selecting groups of participants and non-participants *after* the intervention. While randomised experiments are better than quasi-experimental techniques at attributing outcomes to the intervention, quasi-experimental methods are more than sufficient for showing the effectiveness of the programmes evaluated in New Zealand. The outcome measure used to determine programme effectiveness is independence of Work and Income assistance, which is used as a proxy for entering employment. The impact is the likelihood of participants becoming independent of W&I assistance in relation to a comparable group of non-participants. The programmes are grouped according to whether they are aimed at enhancing the supply of labour (capacity building), the demand (opportunity creation) or bridging the gap between the two (matching).

5.1.1 What is the New Zealand evidence on the effectiveness of employment programmes?

This section brings together the existing evidence on effectiveness and direct fiscal costs and benefits of different types of employment programmes in New Zealand.

The impact and outcome of eleven programmes, one year and three years after participation start, are compared below in Table 11.⁹ In the short term (one year after

⁹ The analysis was done for one and three years because of the availability of reliable data.

participation start), Enterprise Allowance has both, the greatest outcome (76% of participants were independent of W&I after one year) and the greatest impact (on average, participants had twice the chance of obtaining a positive outcome after participation). Wage subsidies and placements both have the next highest outcome and impact. Work experience programmes with a wage subsidy are roughly in the middle in terms of outcomes, but higher than wage subsidies and placements in terms of impact. Training Opportunities, Work Confidence and Community Taskforce have both, the lowest outcomes (on average, only a third of the participants were independent of W&I assistance after one year) and a negative impact (on average, participants had a lower chance of obtaining an outcome than the comparison group).

This comparison indicates that in the short term, the opportunity creation programme is the most effective at leading to independence of W&I assistance, followed by matching and finally capacity building programmes. While capacity building programmes as a cluster appeared to be least effective at leading to independence of W&I assistance, where capacity building programmes were combined with wage subsidies, the chances of becoming independent of W&I assistance were almost as high as that of the opportunity creation programme. Some of the capacity building programmes reduced participants' chances of becoming independent of W&I assistance after one year because participants were unlikely to seek employment for the duration of the programme.

A number of caveats apply to these results. Capacity building programmes are devised to improve the capacity of labour rather than to directly generate employment outcomes. Further, this report has included only one opportunity creation programme, and it is targeted at a group of job seekers who wish to become self-employed so may be more motivated.

In the longer term (three years after participation start), the results are similar for the programmes we have data for. Enterprise Allowance, placements and wage subsidies have the highest outcome and impact, while Work Confidence and Community Taskforce have among the lowest outcome and impact. This indicates that even in the longer term, opportunity creation programmes are most effective at leading to independence of W&I assistance, followed by matching and finally capacity building programmes.

Table 11 Outcome and impact of selected employment programmes on participants' outcomes

Programme	Outcomes		Impact		Comments
	1 yr	3 yrs	1 yr	3 yrs	
Capacity building					
Training Opportunities (1999)	35%	52%	0.97	1.06	Positive post-participation effect tends to be out weighed by high locking-in effects.
Work confidence (1998-99)	33%	51%	0.95	0.97	No impact on outcomes
Community Taskforce (1998)	30%	47%	0.89	0.94	Activity-in-the-Community shows similar impact
Taskforce Green (1998-2000)	46%	--	1.22	--	Still has an impact after 2 years
Job Connection (1998-2000)	42%	--	1.98	--	Still has an impact after 2 years
Job Plus Maori Assets (1998-2000)	49%	--	1.61	--	Still has an impact after 2 years
Matching					
Job search (1996)	30%	48%	1.04	1.06	
Work Track (April 1999-July 2000)	58%	--	1.03	--	
Placements (1999)	63%	71%	1.32	1.12	
Wage subsidies (1996)	64%	61%	1.59	1.22	Still has an impact after 5 years
Opportunity creation					
Enterprise Allowance (1996)	76%	66%	2.04	1.25	Still has an impact after 5 years

Notes: Outcome is independence of W&I assistance 1 and 3 years after starting the programme. For example, a value of 25% indicates that 25% of participants were independent of W&I assistance. However, outcome results need to be read cautiously as the programmes relate to different target groups and have varying intent.

Impact is the change in outcomes for participants in a programme. For example, a value of 1.25 indicates that participants have a 25% higher likelihood of achieving an outcome after participating in the programme than the comparison group. A value below 1 indicates that participation in the programme reduces the chances of participants obtaining an outcome in relation to the comparison group.

-- Figures not available for that time period.

Table 12 Impact of Training Incentive Allowance

Programme	From participation start	
	5 years	6 years
Capacity building		
Training Incentive Allowance (1997)		1.082
Training Incentive Allowance (1998)	1.061	

Note: The data for TIA is in a separate table because the TIA evaluation used a different propensity matching model to match participants to a comparison group than the remaining programme evaluations.

These results are based on averaging a programme's impact across all participants. As a result of averaging, the single overall impact figure masks the fact that the programme is effective for some participants. Because the averaged overall impact figure is often not very positive, the results indicate that the programme is not very effective overall. However, most programmes *are* effective for *some* groups of participants. Hence, it would be useful to do further evaluation work examining whom the programmes are actually successful for, especially if there are particular subgroups that get better outcomes from a specific programme.

5.1.2 What are the fiscal costs of the programmes?

A key part of understanding the effectiveness of employment programmes also involves examining their cost effectiveness. This was identified as a major gap in earlier evaluations of New Zealand employment programmes (Anderson 1998). Since then, evaluators have developed a method of examining the direct fiscal costs and benefits of programmes which is as yet in its early stages and is not necessarily included in every evaluation.

Table 13 presents data on the direct fiscal costs and benefits for selected employment programmes. This is represented in terms of the Net Present Value (NPV), in other words, the total cost-benefit of an employment programme expressed in current dollar value. The Net Present Value (NPV) is shown as the decrease in per participant W&I expenditure over the 10-year period from participation start date (refer to de Boer 2004 for the method of calculating the NPV).¹⁰ For example, work confidence programmes incurred an increased fiscal cost through their delivery, of between \$2,500 and \$4,100 per participant (de Boer 2004). This is partly because programme participants did not tend to move into employment after participating in the programme, but may have continued to receive benefits.

Table 13 Fiscal Net Present Value of selected employment programmes (de Boer 2004)

Programme	Net Present Value
	Average decrease in work and income expenditure per participant
Capacity building	
Work confidence (1996)	-\$4,100 to -\$2,500
Training Opportunities (1996)	-\$8,000 to -\$5,000
Training Opportunities (1998)	-\$5,000 to \$4,340
Community Taskforce (1996)	-\$2,000 to \$800
Community Work (1998-02)	-\$4,800 to -\$355
Activity-in-the-Community (2002)	-\$8,000 to -\$900
Job Search	
Job Clubs (1996)	-\$500 to -\$100
Work Track (1999)	-\$1,700 to -\$1,000
Matching services	
Assisted placement (1999)	\$400 to \$6,700
Job Plus (1996)	\$800 to \$8,500
Opportunity creation	
Enterprise Allowance (1996)	-\$3,000 to \$5,000

Note: A positive NPV value (e.g. \$4,100) means there was a net reduction in fiscal expenditure as a result of the programme.

Capacity building and job search programmes did not lead to reduced W&I expenditure. This is a result of the nature of capacity building programmes, whose immediate effect is on a job seeker's capacity, which in turn is assumed to lead to improved employment outcomes (de Boer 2004). Because the cost of Enterprise Allowance was high, at best, the fiscal saving from it was \$5,000 and at worst it incurred an additional cost of \$3,000 (de Boer 2004).

¹⁰ A projection was made on likely costs and benefits for the unobserved impact during this 10-year period.

Of all the programmes, matching services were most likely to have a positive direct fiscal effect. As indicated earlier, the cost of a wage subsidy is offset by a decrease in benefit expenditure during the placement period (de Boer 2004).

In New Zealand, the approach to analysing costs so far has considered only W&I assistance at microeconomic level and no other fiscal costs (such as changes in tax through employment or reduction in use of other social and health services), nor the macroeconomic effects of substitution and displacement. This means that the analysis assumes that there were no non-participant impacts. However, more recently, the analysis of fiscal costs as in Table 13 has begun to include rough estimations of displacement and substitution effects on non-participants (see de Boer 2004).

While it is necessary to analyse cost data to build a picture of the effectiveness of programmes, by itself cost data should not be used as a way of allocating resources to programmes or targeting programmes to job seekers. Job seekers have differing needs and what assists one job seeker will not necessarily assist another in finding employment. For example, if a job seeker is hindered by illiteracy, they will require a literacy training programme rather than a wage subsidy even though the latter may incur a lower cost. In addition, specific programmes are only available to certain groups of job seekers (often for a particular duration) which means that straight comparisons are difficult to make. As the profile of the registered unemployed changes, so may the use and demand for various types of programmes. Currently, over 60% of the registered unemployed are long-term unemployed (more than 6 months). This proportion has been steadily increasing in the last 5 years. This has implications for which programmes are used. For example, job search assistance is generally targeted to job seekers early in their unemployment spell and is likely to be less effective for the long-term unemployed. In this context, the data indicates that using matching programmes can be effective and, if appropriately targeted, opportunity creation programmes as well.

5.1.3 How does the New Zealand evidence compare with the international evidence?

Table 14 below provides a comparative summary of the international and New Zealand evidence of programme effectiveness. Overall, there is considerable consistency. The main differences are that some capacity building approaches appear to be more successful for some sub-groups in New Zealand than internationally; job search assistance in New Zealand appears to be somewhat less effective than internationally; and wage subsidies in New Zealand appear more effective than internationally.

Table 14 Summary table of international and New Zealand evidence by programme type

Approach	International evidence	New Zealand evidence
Capacity building		
Training and education	overall not effective at increasing employment and earnings; but effective for adult women; expensive	modest positive post-participation effect out-weighed by locking-in effects; more effective for youth, long-term unemployed and DPB recipients; unsuccessful for job seekers with no qualifications; negative direct fiscal effect
Work confidence		no positive impact on employment outcomes; negative direct fiscal effect
Work experience	does not improve long term unemployment rates; but positive impact reported from Australia	programmes with wage subsidy improve employment prospects; negative direct fiscal effect
Matching		
Case management (advice)	can move job seekers into employment faster	no evidence yet
Job search assistance	positive outcomes in terms of employment particularly if offered early in the unemployment spell; considered to be cost effective	modest positive impact on employment outcomes; negative direct fiscal effect
Wage subsidies	positive outcomes in terms of employment, particularly for women and long-term unemployed	positive outcomes in terms of employment; positive direct fiscal effect
Post-placement support	does not improve employment retention	does not improve employment retention
Youth transitions	not effective in terms of employment	youth benefited from short term training courses
Opportunity creation		
Self-employment assistance	improves employment prospects for a small group of job seekers who have the education, self confidence and skills to set up a business	positive impact in terms of employment; potentially positive direct fiscal effect

The overall evidence for capacity building programmes (training, work confidence and work experience) indicates that they were not particularly effective at improving employment outcomes, except where work experience programmes were combined with wage subsidies. Further, training programmes were effective for women, youth and the long-term unemployed and work experience programmes with a wage subsidy were also effective. Capacity building programmes generally incurred negative direct fiscal effects.

Of the matching programmes, wage subsidies were effective at improving employment outcomes, and incurred positive direct fiscal effects. The evidence for job search was somewhat ambiguous because of its modest positive impact. Post-placement services, in New Zealand and internationally, were not found to be effective at employment retention. However, the post-placement pilots in New Zealand were limited and their results may have been affected by implementation issues. The only type of opportunity creation programme included (self-employment) was effective at improving employment outcomes and could incur positive direct fiscal effects.

In summary, the synthesis of individual programme evaluations found that there is ‘no golden bullet’ or single programme which by itself is the answer for all job seekers; however, most programmes *are* effective for *some* participants.

Although the rationale behind many of the programmes is sound and clear, it is unclear why they show a lack of effectiveness in attaining employment outcomes, e.g. training programmes. Part of the reason for this may be averaging the overall outcome effect discussed earlier. In addition, we also lack information on types or content of training undertaken, as well as data on intermediate outcomes (refer to Table 3 on page 15) gained from training, such as whether participants actually gain in skills and abilities as a result of the training. Without knowing what type of training course a job seeker has undertaken, it is difficult to build a complete picture of the effectiveness of training, which has implications for the targeting of training programmes.

5.1.4 What can we say about key sub-groups?

The evaluative work to date has examined participation rate and outcomes information for the main ethnic groups, but it has not specifically attempted to identify the most effective programmes for participant sub-groups. The current evaluation method measures the average effects for all participants and where results are significant for a sub-group, they are reported, e.g. training programmes for women in New Zealand. However, this does not imply that training is the most effective programme for women. So far, there is no evidence that any programmes are more effective than others for Māori and Pacific people and there is no evidence on programme effectiveness for some groups of job seekers, such as people with disabilities or migrants (see Table 15). No evaluation work has been undertaken to track individuals’ participation across a sequence of programmes rather than just participation in individual programmes. Further work is needed for impact analysis by sub-group.

Table 15 Programme effectiveness by sub-group

Sub-group	Type of programme which is effective for this sub-group	
	New Zealand	International
Youth	training	
Women	training	job search assistance, training, wage subsidies
DPB/sole parents	training	job search assistance
Long-term unemployed	training	wage subsidies
Māori	no evidence at present that any programmes are more effective than others	
Pacific	no evidence at present that any programmes are more effective than others	
Job seekers with disabilities	no evidence at present	

Note: The international sources for this table were Dar and Tzannatos (1999) and Martin and Grubb (2001).

5.2 What more do we need to answer our key questions?

This paper set out to synthesise the evidence from recent evaluations of employment programmes to answer questions around programme effectiveness. We have made considerable progress in answering these questions in the past few years. Our evaluation and monitoring approaches and methods are now on par with comparable countries within the OECD. Yet, at present, our ability to answer the questions is limited in several ways, some of which are more easily solved than others. Martin and Grubb (2001) include some of these limitations in discussing caveats on the evidence base.

5.2.1 Potential areas for expansion

A key step in improving our ability to answer questions about which programme works for whom and at what cost is to examine the individual job seeker's path to employment through participation in various programmes. So far, evaluations of programmes have analysed results separately by individual programme, which showed that there is no 'golden bullet' or single programme which will be successful for all job seekers. This is consistent with the international research. Examining an individual job seeker's path would involve looking at the sequence or combinations of programmes that individuals participate in, rather than looking at all the participants in a programme. For example, work confidence programmes result in increased confidence among participants immediately after completing the course. So would it be useful to combine work confidence with another programme straight away to capitalise on the increased confidence before it dissipates? Evaluating cross-programme effects would be very difficult to do methodologically and could require additional funding but would go a long way in answering the key questions posed at the beginning of this paper.

In addition to the programmes that the job seekers participate in, it is important to consider the processes through which job seekers get to be on particular programmes. Case management and programme delivery are important processes to understand for this. Case managers refer job seekers to any of a range of interventions, so case management has implications beyond referral, to the interventions. At present we do not have any evaluative information on case management and its delivery, which is a gap in our knowledge of effectiveness.

The delivery of programmes can influence the results of programmes. A programme may appear to fail because it was not delivered as intended. Altering the way a programme is delivered can lead to differences in programme results and can help us identify the core aspects of a programme (if there are any) which make a difference in impact. Hence, evaluating programme delivery and integrating these findings into the impact analysis more robustly will help us better answer our key questions.

To fully understand programme effectiveness, we also need to understand whom the programmes are effective for and when in an individual's path to employment they are effective. Training programmes are based on a sound rationale (that lacking in certain abilities and skills can hinder entry into employment), yet the evidence suggests that their effectiveness in terms of employment outcomes is limited because of locking-in effects. However, we do not have sufficient evidence on some of the effects of intermediate outcomes of the training process. Does participation in training lead to increased skills and

abilities? Does this lead to better outcomes in the longer term? What sort of training leads to increased skills and abilities?

Some emerging policy work has implications for the delivery of programmes. Key priorities of the Work Services Case Model include (among others) increasing the levels of employment-related case management; enhancing job seeker needs and risk assessment procedures; ensuring that education and training are aligned with employment and the needs of the labour market; and addressing barriers to retaining employment such as childcare, accommodation and transport. Evaluation of these initiatives will fill some gaps in our knowledge, particularly of case management and the usefulness of risk assessment.

5.2.2 Employment programmes in a wider employment perspective

Our knowledge on programme effectiveness is largely based on research examining the short-term effects. Very few longitudinal evaluations of programmes have been done, as a result of which there is very little evidence on the long-run effects of programmes. Programmes which show a negative result in the short term may have a positive effect in the long term which may change the way the programme is targeted, or other aspects of the programmes.

Examining longer term outcomes would enable us to better understand how programmes can be used to help achieve sustainable employment for individuals. Work and Income services are now designed to increase sustainable employment amongst its clients, with the emphasis on increasing the number of people in employment and maintaining the time they are in employment. Looking at long run effects will help identify how programmes can be used to assist this. Part of the work required in looking at longer-term outcomes is developing better outcome measures that reflect employment. The current measure used (available from MSD administrative data) is independence of W&I assistance. Gaining outcome information on employment and earnings is a key progression needed. The planned Linked Employer-Employee Database (LEED) project will provide data that will allow analysis of the outcomes of people once they exit the benefit. The project will analyse the work and income histories of beneficiaries who move into work, and in many cases, back onto a benefit. However, being administrative data, the outcome variables available will be limited to those contained in the database.

Sustainable employment also encompasses the quality of employment. At this time we have little knowledge of the impact of programmes on the quality of employment. For example, do programmes impact on participants' (and non-participants') wage rates? As the policy emphasis shifts towards sustainable employment, future evaluations will need to measure the quality of employment.

Evaluations have so far measured impacts mainly for participants, hence our ability to understand the broader picture is limited. Evaluations, both overseas and here, need to develop methods to look at the wider impacts of employment programmes such as social benefits including reduced crime, better health, etc. For example, work experience programmes in New Zealand may not necessarily have outcomes in terms of employment, but they result in projects of benefit to the community being completed. Looking at such effects will ensure that we are not too narrow in our assessment of effectiveness.

5.2.3 Methodological challenges

Improving current New Zealand understanding of programme effectiveness could include work in a number of methodological areas. However, evaluators both overseas and here find these areas difficult to tackle; hence any progress in them is likely to be slow.

This paper has presented results from some pilot programmes (e.g. OBF, PPS). While we can learn important lessons from pilots, these programmes may be implemented differently from a large-scale established programme; they may not necessarily be cost effective if extended; nor is it always feasible to generalise their findings to a wider level. This needs to be kept in mind when using results from a pilot programme evaluation, but they may provide the only information on this approach or type of programme.

Evaluations are better able to determine microeconomic effects (at individual/programme level) than macroeconomic (aggregate) effects partly because of the difficulty of measuring substitution and displacement. This is an issue both in New Zealand and internationally, and is partly a result of the inherent nature of the area. Assisting job seekers into employment can have very wide ranging effects which can be difficult not only to identify, but also to measure, and to establish cause-effect relationships. This is the reason that the intervention logic of the various employment programmes does not go beyond the level of the participants. As indicated earlier more recent analyses have begun to factor in rough estimations of displacement and substitution effects on non-participants.

As indicated above, New Zealand is starting to develop consistent cost-benefit measures of its employment programmes. As the method develops, where possible, evaluators need to incorporate the as yet unknown non-participants' impacts and extend the cost-benefit framework beyond Work and Income expenditure.

5.3 Where to from here?

This paper has presented evidence on employment programme evaluations in New Zealand and overseas in an attempt to understand which programmes work and for whom. The implications of this report are for three immediate areas: policy, service delivery, and research and evaluation. As a way forward, we can touch upon what these findings require of and from these three areas.

At a policy level, the findings give an overview of what works for whom within the limitations of the approaches, methods and data used. An important finding from the synthesis of individual programme evaluations is that there is no 'golden bullet' or single programme that, by itself, is the solution to moving job seekers into employment. A policy response would need to consider what programmes are more or less effective and where alternate and innovative approaches have scope to work. In particular, there is a need to revisit some programmes areas in relation to how appropriate they are in the first instance for the outcomes intended. Policy could also plan to include wider sub-groups at the design stage. Finally, policy will also have to assess what these findings mean from a resource allocation perspective. All of this will enable us to design more effective programmes as well as to better target them to job seekers.

The contextual and implementation information on individual programmes provides a description of how the programmes operate at a ground level. This presents delivery with

a picture of the contextual and implementation aspects that can be better refined or adapted for enhanced delivery. For any given design, such an exercise is likely to improve the outcomes for participants.

Finally, evaluators in New Zealand have made much progress in this area, and we now have a reasonable picture of the effectiveness of different programmes. Keeping the methods consistent across different programme impact evaluations has allowed us to build knowledge over time. Lessons learnt from this in turn help in developing consistent cost-benefit analyses. However there is still more research and evaluation we can do to understand the circumstances in which programmes can be made more efficient and effective. This means examining several areas such as:

- the sequences and combinations of programmes that job seekers participate in, to understand the interactions of programmes
- the meso-level or context in which job seekers are allocated programmes – this includes the governance and incentive structures for programme deliverers, programme mix, case management and Work and Income services
- implementation and delivery of the programmes
- improved sub-group analyses
- methodological issues, including better measures of employment outcomes, both quantitative and qualitative dimensions including wages, both in the short and longer term following programme participation as well as in terms of sustainable employment outcome measures.

Work in these areas should enhance our ability to answer the question of what works for whom and in what circumstances.

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7 APPENDIX 1: METHOD OF PROGRAMME EVALUATION

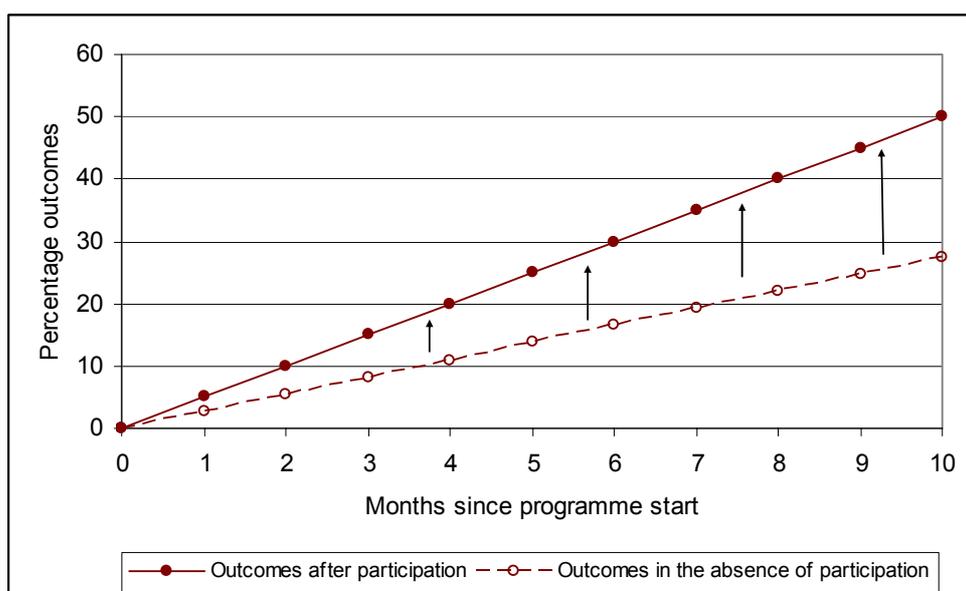
In New Zealand, employment programmes have generally been evaluated at the level of the individual programme to measure the increased likelihood that the participant will get a job as a result of the programme. The average effects of programmes have been evaluated, that is, the impact for any participant, although the impact is calculated for sub-groups who are impacted at a different rate. These evaluations have increased our understanding of the overall impact of programmes.

7.1 Measuring outcomes and impact

Determining the effectiveness of an employment programme involves measuring the outcome and impact for participants. An outcome of participating in a programme is the tangible result of participation, e.g. gaining employment or undertaking further training. Analysing outcomes involves examining changes in an observable and measurable indicator before, during or after an intervention or programme occurs. This type of analysis does not answer the question of whether the outcomes for a particular participant were the result of participation (Adamson, Forbes and Woodson 2003).

An impact is the change in outcomes for participants in a programme. It is calculated as a ratio of the outcomes of participants compared to non-participants. For example, an impact of 1.25 indicates a 25% increase in outcomes after participating in a programme. An impact analysis aims to measure whether the participant's outcomes are a result of taking part in the programme. It does this by asking the counter-factual question of what outcomes a job seeker would have achieved in the absence of the programme. This theoretical comparison is represented in a simplistic way in Figure 1 (Adamson, Forbes and Woodson 2003).

Figure 1 The theoretical comparison between the outcomes of a group of participants in the absence of and after participating in a programme



It is not possible to observe the outcomes of participants in the absence of the programme so an impact analysis compares participant group outcomes with the outcomes of a comparison group (Adamson, Forbes and Woodson 2003). The comparison group is modelled on the observed characteristics of participants using a propensity matching technique. Propensity matching uses individuals' observable characteristics to predict the likelihood of them participating in the programme. Non-participants are then selected into the comparison group because they have a similar predicted likelihood of participating given their observed characteristics (MSD 2003b). The outcomes of both groups are then used to calculate an impact ratio to measure the impact of the programme on participants as positive, negative, large or small (Adamson, Forbes and Woodson 2003).

MSD administrative data is used to measure outcome. Employment is the outcome of interest, but this level of detail is not available from the database. Hence, a proxy measure called 'independence of Work and Income (W&I) assistance' is used. W&I assistance is defined as receiving a core benefit or participating in employment programmes. While the measure lacks specificity over the type of outcome achieved, it is considered robust and is able to be applied to both participants and non-participants alike without risk of bias (de Boer forthcoming a). The proxy measure is based on the assumption that any difference in the probability of being independent of W&I assistance between participants and non-participants is due to underlying changes in the probability of being in employment rather than changes in the likelihood of other outcomes occurring (for example, emigration, imprisonment or exiting the labour market) (de Boer forthcoming b).

As mentioned above, a major limitation of using this proxy measure to evaluate the effectiveness of programmes is its lack of specificity. Further, with the Government's focus shifting from stable employment (remaining in employment for 90 days) to sustainable employment (gaining employment, keeping it and advancing in it), programme evaluation in future will need to develop methods of measuring these dimensions.

8 APPENDIX 2: GLOSSARY

Compliance effect

Change in job seeker behaviour in response to a requirement to participate in an initiative.

Cost-benefit analysis

A method of analysing whether programme benefits outweigh the costs of delivering the programme.

Cost effectiveness

The dollar value of the impact of an employment assistance programme.

Counterfactual

Outcomes that occur in the absence of the intervention.

Creaming

The practice of case managers referring ‘work ready’ job seekers to employment assistance providers. This could also refer to the behaviour of providers who prefer to recruit or assist only ‘work ready’ referrals.

Cyclical unemployment

Unemployment as a result of changing levels of economic output on the demand for labour. As the economy grows following a long recession, cyclical unemployment is expected to fall (Prime Ministerial Taskforce on Employment 1994). At the level of the individual job seeker, cyclical unemployment may be long term depending on the nature of the economic downturn.

Deadweight

Programme outcomes that are no different from what would have happened in the absence of the programme. For example, an employer uses a wage subsidy to hire a job seeker, but the job seeker would have been placed even in the absence of the subsidy. Deadweight is an ambiguous term and may be seen as the inverse of impact.

Displacement effect

Assisting a job seeker into employment directly results in a decrease in employment in competing firms. This may either lead to employees becoming unemployed or competing firms hiring fewer employees.

Frictional unemployment

Unemployment as a result of the time it takes to match the supply of labour to its demand – that is, the time it takes for job seekers to find employment and for employers to find job seekers. Frictional unemployment, which is hard to measure, is estimated to be low (Prime Ministerial Taskforce on Employment 1994). At the level of the individual job seeker, frictional unemployment tends to be relatively short term.

Impact

An impact is the change in outcomes as a result of participation in an employment programme. Impact is most often represented as the difference in observed outcomes after an intervention and the outcomes that would have occurred without the intervention (e.g. counterfactual). The counterfactual is often represented by a comparison or control group.¹¹

Job seekers

For the purposes of this paper, job seekers are the group of people targeted by programmes. This distinguishes them from *non-participants* who are job seekers who do not participate in an intervention.

Locking-in effect

The likelihood of finding employment while participating in a programme, usually expected to decrease.

Long-term unemployed

There is no established benchmark for when a person becomes long-term unemployed. In New Zealand, people who have been registered job seekers for at least 6 months are long term, while in Europe long term is defined as one year.

Non-participants

These are job seekers who do not participate in an intervention. This is not to be confused with comparison groups used in estimating counterfactual outcomes (see impact).

Outcome

Job seekers can have any number of outcomes, either negative (e.g. unemployment or prison) or positive (e.g. sustainable employment). The objective of programmes is to influence job seekers' outcomes to increase the likelihood of positive outcomes occurring. Outcomes on their own tell us nothing about how effective the programme is (see *impact*).

Parking

In the Australian Job Network, 'parking' refers to the practice of employment assistance providers choosing not to invest in a given job seeker based on the assessment that the cost of addressing their barriers is too high.

Participants

Once job seekers participate in a programme, they are referred to as *participants*.

Post-participation effect

The likelihood of finding employment following participation in a programme, expected to increase.

¹¹ Refer to Appendix 1: Method of programme evaluation on page 51 for the method of calculating impact.

Seasonal unemployment

Employment that peaks or drops in specific periods during the year (e.g. increased demand for retail jobs during year end or harvesting jobs in February).

Stable employment

A job seeker is placed into employment by Work and Income and the placement lasts for at least 91 days.

Structural unemployment

Unemployment as a result of the changing structure of the economy – that is, a mismatch of skills and job opportunities when the pattern of demand and production changes (Prime Ministerial Taskforce on Employment 1994). At the level of the individual job seeker, structural unemployment tends to be relatively long term.

Substitution effect

When assisting a job seeker into employment comes at the expense of another job seeker who would have gained the employment in the absence of assistance.

Sustainable employment

A job seeker enters employment, remains in employment *and* advances within employment. Examples of advancement include increased earnings, moving to permanent from temporary employment, gaining transferable skills, and so on. Sustainable employment has replaced stable employment as the outcome of participating in programmes.

9 APPENDIX 3: NEW ZEALAND EVALUATION RESULTS

9.1 Training Opportunities (TOPs)

9.1.1 *The programme*

Adult education and training programmes (TOPs) are one of the most common forms of employment programmes in New Zealand. There are two categories of adult education and training which cover a wide range of programmes: remedial programmes to improve the foundational skills of people lacking employability skills, including basic literacy and numeracy; and vocational or industry focused training for people lacking relevant labour market skills.

A recent review of Training Opportunities found a continued need for ‘quality learning programmes that assist learners to acquire the foundation skills they need to sustain themselves in employment...’ (Ministry of Education 2002:4).¹² Hence, the Government decided that in future, TOPs would focus on foundation skills (Ministry of Education 2002).

9.1.2 *Target groups*

TOPs targets people with low or no qualifications with a history of unemployment. During 2000 there were 21,965 TOPs trainees. Of this group 70% had no qualification and 50% had never been in full-time employment before entering the programme. In 2000, 42% of trainees were Māori, 11% were Pacific people and 49% were female. These closely matched the targets for 2001, which were Māori (40%), women (50%) and Pacific people (10%) (de Boer forthcoming b).

9.1.3 *Results*

TOPs was reviewed in the first half of 2003 by MSD, using data from all participants in TOPs between 1 January 1996 and 31 December 2001.

The evidence from New Zealand is that Training Opportunities has had a modest positive impact since 1998, with an impact of up to 1.06.¹³ Of every 100 participants in 1999, 52 were independent of W&I assistance three years later. Without participation, we would expect 50 to be independent, a difference of two people (de Boer forthcoming b). Further analysis revealed that locking in effects reduced the overall impact of TOPs. Post-participation effects were short lived, lasting between 3-12 months after participation end date. TOPs was found to be more successful than average for youth (under 20 years) and long-term unemployed (over 26 weeks), but unsuccessful for job seekers with no qualifications (de Boer forthcoming b). In contrast to the international evidence, TOPs benefited youth and the long-term unemployed.

¹² ‘Foundation skills are generally thought of as those skills that form the base on which higher level generic, vocational and technical skills are built, and include key literacy and numeracy skills’ (Ministry of Education 2002:4).

¹³ Reasons for this change since 1998 were beyond the scope of the review.

The findings from a longitudinal, qualitative review of TOPs graduates commissioned by Skill New Zealand were similar – somewhat positive but short-lived results. In the twelve months after completing a TOPs course, of 52 respondents, 30 had held at least one job, 30 had been unemployed, 22 had undertaken further study or training and five had dropped out of the labour force for family reasons (Skill New Zealand 1999). By this time, it was possible to distinguish between those in stable employment and those who had ‘made a number of labour market transitions’ (Skill New Zealand 1999:94). Regardless of their labour market outcome, respondents were unanimously positive about participation in TOPs (Skill New Zealand 1999).

Factors affecting the labour market experiences of TOPs graduates included the level of support respondents received particularly during transitional phases (Skill New Zealand 1999); their participation in work experience; the respondent’s interest in their area of training and the job search strategy they used (Skill New Zealand 1999), with pro-active strategies (networking, initiating contacts with prospective employers) being more successful.

Like the other TOPs review, this study found that the benefits of participating in TOPs had a short life span. Without further education or employment, the intangible benefits, such as motivation and confidence, declined between 3-6 months following course completion, while tangible benefits, such as industry skills and knowledge, had a use-by date of 6-12 months (Skill New Zealand 1999).

9.1.4 Direct fiscal costs and benefits

The average reduction in W&I expenditure for the 10-year period following participation start date per TOPs participant was -\$8,000 to -\$5,000 in 1996 and -\$5,000 to \$4,340 in 1998 (de Boer 2004).

9.2 Training Incentive Allowance (TIA)

9.2.1 The programme and target groups

The Training Incentive Allowance was introduced in November 1983 in response to the Wylie Review report¹⁴ that found that female sole parents were disadvantaged when re-entering the workforce. This group is believed to face a combination of high time stress, low wages, gender gap, lower real wage due to childcare costs, low skilled employment and less employee-friendly conditions. TIA is designed to increase the quality of employment gained by reducing the disincentives of moving into employment.

TIA provides financial assistance to people receiving a domestic purposes benefit (DPB), an invalid’s benefit (IB), a widow’s benefit (WB), or an emergency maintenance allowance, to enable them to undertake employment-related training to enhance and improve their work skills and increase their prospects of obtaining full or part-time employment (Adamson et al 2003). Between 1996 and 2001, most TIA participants undertook job skills related training, usually at a polytechnic or technical institute.

¹⁴ Wylie, C. R. (1980) *Factors Affecting the Participation in the Workforce of Female Heads of One Parent Families*. A report prepared for the Department of Social Welfare.

Just over 22,000 participants received TIA each year between 1996 and 2001, although this increased to 29,000 in 1998, possibly because of policy or operational changes. The number of new participants in any year was usually between 9,000 and 16,000 (p9). Data on total length of participation was not reliable.

9.2.2 Results

MSD evaluated TIA using administrative data from 1996 to 2001.

Overall, the evidence from New Zealand shows that TIA had a positive impact on DPB recipients. Compared to the 1997 comparison group, 1997 DPB participants spent on average 8.2% less time dependent on W&I between their participation start date and the end of 2002. The corresponding figure for the 1998 DPB participants was 6.1% compared to the 1998 DPB comparison group (MSD 2003b).

DPB recipients who benefited most had some of the following characteristics: were aged 20-39 years; had a youngest child aged 6-13 years; were reasonably well educated; were Pakeha. In terms of qualifications, individuals who gained most from participating in TIA were those with a reasonable level of education – i.e. numerate and literate, but not so highly educated as to further benefit only marginally. In terms of age of youngest child, the authors proposed that individuals training when their child was aged 6-13 years were better able to undertake and complete training because their child was in school most of the day and childcare was less of an issue. Alternatively, the impact may have been a result of the 1999 DPB reforms (MSD 2003b).

The findings of the impact analysis suggested TIA was not effective at decreasing the reliance of Invalid's Beneficiaries on W&I assistance. IB recipients are more disadvantaged in the labour market and may require additional support to move into employment as well as more time to achieve an employment outcome (MSD 2003b). However, the qualitative component of the evaluation showed that some former IB recipients did move into employment after participating in the TIA (MSD 2003b). Given the emphasis of the TIA on employment outcomes, the authors argue that there may be a mismatch between the objectives of the TIA and the full range of needs of the IB group (MSD 2003b).

The qualitative findings also showed that both DPB and IB TIA recipients who were in employment generally felt that this was a result of the TIA assisted training that they had undertaken. Individuals who undertook TIA assisted training achieved positive outcomes regardless of whether they moved into employment. These positive outcomes included increased self-confidence, an increased sense of well-being, increased interaction with others and a sense that their participation may also have had a positive influence on others in their household. In general most respondents felt that overall, they were better off because of undertaking TIA assisted training (MSD 2003b). These qualitative results are similar to the findings from the qualitative TOPs review (Skill New Zealand 1999).

The TIA is more effective at moving DPB recipients than IB recipients off W&I assistance. It is designed to address barriers to employment such as low skill level and, in the short-term, the cost of childcare and travel. However, it does not address other barriers which may prevent participants from capitalising on the benefits of their training. To gain maximum benefit from TIA assisted training, participants may require a package of assistance to overcome the full range of factors or barriers which affect their ability to

move into employment. The review recommended that other barriers needed to be addressed, before, during and after training (MSD 2003b). Before the training, participants needed to have access to relevant information to help them make well-informed choices about their training (e.g. which would lead to employment which fit their continuing childcare responsibilities and/or their impairment). During the training, participants needed to be adequately supported to ensure they completed the training. Following the training, participants needed to receive other forms of employment assistance if they required it (e.g. a wage subsidy or work experience programme if they lacked practical experience) (MSD 2003b).

9.2.3 Direct fiscal costs and benefits

At the time of writing, no information was available on the fiscal costs of TIA.

9.3 Outward Bound, Limited Services Volunteers (LSV), Residential Motivational Training (RMT)

9.3.1 The programmes

Work confidence programmes aim to bolster the general confidence, personal self-esteem and life skills of discouraged job seekers to engage in effective job search. The courses are generally short term, and tend to be intensive, residential, outdoor, education-based training programmes (Swindells 1998). The Limited Services Volunteers (LSV) programme, which has been in operation since May 1993, is the most established of the Residential Motivational Training (RMT) programmes.^{15, 16} It is delivered in a military setting by the New Zealand Defence Force at the Burnham Army Camp (Swindells 1998). RMT originated with the intention of providing a range of other courses with similar content to LSV, but which are non-military, and have less rigorous physical health and fitness entry criteria. RMT courses range in duration between four and six weeks (Swindells 1998).

9.3.2 Target groups

All job seekers are eligible, although there is a focus on the long-term unemployed, or job seekers at risk of becoming long-term unemployed (MSD 2001).

9.3.3 Results

The evidence from New Zealand is that work confidence programmes do not improve participants' employment prospects. Evaluation of work confidence programmes (1998-99) showed a negative impact ranging from 0.93 after two years of starting to 0.99 after four years. Of every 100 participants, only 27 were independent of W&I assistance six months after starting, rising to 56 participants after four years. The results were very similar for non-participants – 28 of every 100 were independent after six months, and 57 after four years (de Boer forthcoming c). Work confidence programmes have a high locking-in effect, which cancels any small positive post-participation effect.

¹⁵ Outdoor education-based training is physically and mentally challenging and requires group organisation and co-operation.

¹⁶ LSV originated from a 1983 initiative named Project Krypton.

9.3.4 Direct fiscal costs and benefits

The average reduction in W&I expenditure for the 10-year period following participation start date per Work confidence participant was -\$4,100 to -\$2,500 in 1996 (de Boer 2004).

9.4 Community Taskforce, Expanded Community Taskforce, Community Work, Activity-in-the-Community; Taskforce Green, Job Plus Maori Assets, Job Connection¹⁷

9.4.1 The programmes

Work experience programmes provide job seekers with unpaid experience in a workplace or situation resembling work. The aim is for participants to gain work habits and on-the-job skills that will improve their employment chances at the end of the programme. Generally, the projects undertaken are ones of benefit to the community or environment that would not otherwise be done. The economic benefit of such programmes is to maintain people's active participation within the not-for-profit sector and eventually in the labour market. There is no expectation that these programmes will produce large net employment gains but should increase labour market participation.

9.4.2 Target groups

All job seekers are eligible, although the focus is usually on the long-term unemployed (MSD 2001).

9.4.3 Results

The evidence from New Zealand is that work experience programmes have mixed results. As Table 16 illustrates, participating in Community Work Experience programmes with no wage subsidy decreases the probability of becoming independent of W&I assistance in the first two years after starting a placement. After two years there is almost no difference in the probability of participants and non-participants being independent of W&I assistance. While the impact of Activity-in-the-Community can only be estimated for the first year after participation start, the analysis suggests the medium term impact of this programme is unlikely to differ significantly from its predecessors (MSD 2002).

¹⁷ Taskforce Green, Job Plus Maori Assets and Job Connection also involve a temporary wage subsidy to the employer, but the employer is not expected to keep the participants once the subsidy has ceased, hence these programmes are grouped under work experience.

Table 16 Estimated probability of being independent of W&I assistance as a participant and non-participant in a Community Work Experience programme with no wage subsidy (MSD 2002)

	Lapse Period	0.5 years	1 years	2 years	3 years	4 years	5 years
Programme	Group						
Community Taskforce	Participants	20%	31%	39%	44%	49%	53%
	Non- participants	26%	33%	40%	45%	50%	54%
	Impact ratio	0.77	0.94	0.97	0.97	0.97	0.98
Expanded Community Taskforce	Participants	20%	28%	39%	47%	51%	
	Non- participants	23%	30%	39%	46%	51%	
	Impact ratio	0.83	0.94	1.00	1.02	1.00	
Community Work	Participants	17%	26%	38%	47%		
	Non- participants	24%	31%	40%	48%		
	Impact ratio	0.70	0.85	0.95	0.98		
Activity-in-the-Community	Participants	18%	26%				
	Non- participants	25%	32%				
	Impact ratio	0.75	0.80				

Notes: Estimation Technique: Outcomes regression of propensity weighted comparison group and participants.
Population includes all Community Work Experience participants between 1996 and 2001 inclusive.
Source: MSD administrative data, 2002.

From Table 17, it is clear that participating in Community Work Experience programmes with a wage subsidy increases the probability of becoming independent of W&I assistance in the first two years after starting a placement. Six months after participation start, participants were between 28% (Taskforce Green) and 98% (Job Connection) more likely than non-participants to be independent of W&I assistance. After two years, these programmes still had a positive impact. Of the three Community Work Experience programmes with a wage subsidy, Taskforce Green had the lowest impact on participants, while Job Connection had the highest impact.

Table 17 Proportion of participants independent of W&I assistance and impact ratio in a Community Work Experience programme with a wage subsidy (de Boer 2002)

	Lapse Period	6 months	12 months	18 months	24 months
Programme	Group				
Job Plus Maori Assets	Participants	49%	63%	57%	56%
	Impact ratio	1.61	1.70	1.40	1.27
Taskforce Green	Participants	39%	46%	53%	56%
	Impact ratio	1.28	1.22	1.21	1.16
Job Connection	Participants	42%	39%	39%	39%
	Impact ratio	1.98	1.53	1.49	1.39

Notes: Estimation technique: Outcomes regression of propensity weighted comparison group and participants.
Population includes all Community Work Experience participants who started between 1 January 1998 and 1 July 2000.
Source: MSD administrative data, 2002.

9.4.4 Direct fiscal costs and benefits

The average reduction in W&I expenditure for the 10-year period following participation start date per Community Taskforce participant was -\$2,000 to \$800 in 1996; per Community Work participant was -\$4,800 to -\$355 from 1998 to 2002; and per Activity-in-the-Community participant was -\$8,000 to -\$900 in 2002 (de Boer 2004).

9.5 Career and personal development advice: Career guidance and case manager support

9.5.1 What is this approach?

The aim of employment related case management is to increase the speed by which job seekers move into ongoing unsubsidised employment (preferably) or other development activities leading to job search so that job seekers achieve and maintain independence of W&I (MSD 2001). To achieve this, case managers work with individual job seekers using advice, career guidance and work testing.

Advice is assistance given to participants to help them with the process of job search. At its most basic, it involves discussions between the case manager and participant about steps the participant is taking to find employment. Often this is presented as a job seeker plan or agreement. The intention is to keep the participant motivated and active in their job search activities as well as to provide advice and guidance where needed. It includes career guidance which assists participants make informed educational, work and career-related choices by providing them with access to professional careers advice. Participants are assisted to identify their skills, interests and attributes and to consider realistic career and training options that are available to them.

9.5.2 Target groups

All job seekers are eligible, although resources are meant to target job seekers most likely to benefit (MSD 2001).

9.5.3 Results

At the time of writing, no comprehensive evaluation of case management had been undertaken in New Zealand, however, an evaluation of Enhanced Case Management for Domestic Purposes Benefit and Widows Benefit (DPB and WB respectively) is currently underway.¹⁸

9.5.4 Direct fiscal costs and benefits

At the time of writing, no information was available on the fiscal costs of case management.

¹⁸ Enhanced Case Management is a more holistic and comprehensive form of case management which aims to better address barriers to employment for single parents and widows, and to ensure that single parents are better supported in balancing parenting and employment.

9.6 Work testing

9.6.1 What is work testing?

The work test is a compliance measure. A participant's failure to meet certain obligations without good and sufficient reason results in the participant being subject to sanctions. This could include reducing the level of financial support that they receive.

9.6.2 Target groups

Full-time work test obligations apply to all job seekers and their partners with no dependent children or with a youngest child aged 14+ years. Part-time work test obligations apply to partners with a youngest child aged 6-13 years. Partners with a youngest child under 6 years are not work tested.

9.6.3 Results

Two studies have evaluated the work test for Domestic Purposes Benefit and Widow's Benefit (DPB and WB respectively) recipients.¹⁹

There were abatement changes to the DPB in 1996 and changes to reciprocal obligations of DPB recipients in 1997 and 1999, all aimed at increasing the recipients' likelihood of becoming increasingly financially independent through paid employment. Analysis of administrative data of multiple cohorts of recipients revealed that following the policy changes, there were large changes in the propensity of recipients to either declare their earnings or in their likelihood of being off the benefit. These changes were consistent with the expected impacts of the policy change on participation in part-time and full-time employment (Wilson and Ball 2000). However, there was also an increase in the likelihood of being off the benefit for recipients with a youngest child aged 6-13 who were subject to a part-time work test. This makes it difficult to attribute the results to the policy changes. It is possible that the policy changes had a 'signalling effect', leading to wider changes in full time employment propensities than expected, or, there may have been general improvements in employment conditions and other policy changes, leading to some of the shift (DoL and MSD 2002a:54).

The evaluation of the short-term outcomes of the DPB and WB reforms looked at the administration of the work test to DPB and WB recipients. It found that there were variations in recipients' awareness of the work test requirement partly because of the means of advising them of it and because of where case managers focused their efforts (DoL and MSD 2002a). The main method of advising DPB and WB recipients about their work test obligations was an annual letter. Problems with this method were that Pacific respondents largely ignored these letters due to language problems, while Māori respondents found them 'difficult to understand and apply to their particular circumstances' (DoL and MSD 2002a:23). Case managers focused mainly on the full time work tested group (DPB recipients whose youngest child was aged 14 years or over) because their compliance requirement was the greatest and because they faced the fewest barriers to employment. Clients who had been receiving the benefit for less than two years

¹⁹ The 2002 DPB reforms removed the Work test for DPB recipients. Enhanced Case Management is now used to address the barriers of DPB recipients to employment.

were less aware of their work test requirement than longer-term clients (DoL and MSD 2002a:24).

Case managers seldom enforced the work test requirement by cancelling the benefit, not wanting to impose financial difficulties on the family. Yet, case managers wished to retain the sanctioning option, as it gave them a tool when dealing with clients who were not actively seeking employment or training options (DoL and MSD 2002a:25). Case managers believed that the work test process had contributed to DPB and WB recipients' understanding that income support was transitional and involved obligations on their part (DoL and MSD 2002c:2).

Overall, the results from these two studies indicate that when consistently delivered, the work test is likely to lead to reduced dependence on W&I assistance, even if it is through a 'signalling effect'.

9.7 Work Track, Job Clubs

9.7.1 *The programme and target groups*

Work Track is an early intervention for job seekers at risk of long-term unemployment. The target group is job seekers registered unemployed for less than 26 weeks and identified 'at risk' (Service Group Indicator 3 or 4) of becoming long-term unemployed (de Boer forthcoming a).^{20, 21} The three-week long programme is designed to prevent participants becoming long-term unemployed by focusing early in the participant-MSD relationship on the participant's self-attainment of employment. Work Track is intended to assist participants by providing them with the self-confidence, self-esteem and practical job-search and interview skills to gain employment. The programme is not intended as a stepping-stone to training or other intermediary outcomes before employment is achieved (CORE 2000). Variations of the programme focus on different target groups, including Māori, Pacific and long-term unemployed job seekers (de Boer forthcoming a).

9.7.2 *Results*

The evidence from New Zealand suggests a very small positive impact towards the end of the first year following participation start. Evaluation of Work Track (April 1999-July 2000) showed a negative impact initially of 0.86 at one month increasing to 1.00 at six months and 1.03 at 12 months. In other words, after one year, 58 out of every 100 participants were independent of W&I assistance, compared to an expected 56 out of every 100 if they had not participated (de Boer forthcoming a). The effectiveness of Work Track is considered ambiguous because of its small magnitude.

9.7.3 *Direct fiscal costs and benefits*

The average reduction in W&I expenditure for the 10-year period following participation start date per Job Clubs participant was -\$500 to -\$100 in 1996; and per Work Track participant was -\$1,700 to -\$1,000 in 1999 (de Boer 2004). Job search assistance is

²⁰ The duration criterion for participation in Work Track was originally 13 weeks, but this was extended in some regions to 26 weeks.

²¹ Service Group Indicator or SGI was MSD's risk assessment tool derived from several weighted socio-demographic and attitudinal responses. Job seekers were scored from 1 to 5, 1 being highly employable through to 5 being severely disadvantaged (de Boer forthcoming a).

considered to incur a positive direct fiscal effect because it is generally a short-duration, low cost intervention targeted to those new on the unemployment register.

9.8 Job Plus, Job Plus Training

9.8.1 The programmes

Wage subsidy programmes in New Zealand are aimed at assisting disadvantaged job seekers into higher skilled employment, thereby redistributing unemployment and achieving more equity for disadvantaged groups, rather than reducing unemployment.

Job Plus is a wage subsidy designed to assist job seekers who, without government intervention, are unlikely to easily secure full time employment (de Boer 2002). The partial and temporary wage subsidy is given to an employer who provides a permanent work placement, which genuinely assists a disadvantaged job seeker into sustainable employment. The subsidy amount and duration offered to employers reflects the participants' disadvantage in the labour market; it is not designed to support the employer's business. The duration of the subsidy is limited to 52 weeks. The expectation of this product is that the participant will retain permanent employment with the same employer after the subsidy ends. Most evaluations of New Zealand wage subsidies focus on Job Plus.

Similarly, Job Plus Training is a wage subsidy that can be used prior to employment, to prepare a participant before starting work, or as on-the-job training (de Boer 2002). Job Plus Training can be used in conjunction with Job Plus. The training needs to be linked to an actual or likely vacancy, be no longer than 12 weeks in duration and, if possible, be linked to the National Qualifications Framework.

9.8.2 Target groups

Wage subsidies target disadvantaged population groups and those who have been assessed as at risk of being long-term unemployed. The programmes especially aim at W&I long-term unemployed job seekers who have a disability or literacy/numeracy barrier. A subsidy is generally paid for full-time jobs, unless a job seeker with disabilities has been assessed as having a part time work capacity.

9.8.3 Results

In New Zealand, Job Plus participants achieved high outcomes soon after receiving the subsidy: 59% were independent of W&I assistance after six months, increasing to 66% after five years (de Boer forthcoming c). The stability in outcomes suggests a low proportion of the placements cease on completion of the subsidy. The counterfactual indicates the programme has a significant and enduring impact on participants' outcomes, from an impact ratio of almost 1.78 at six months. In other words, we expect an additional 26 of every 100 participants to be independent of W&I assistance as a result of Job Plus. This impact decreases to a more modest ratio of 1.15 after five years, or an additional eight per 100 participants. The decrease in impact ratio over the study period is due to the increased outcomes of the comparison group rather than reductions in participants' outcomes.

9.8.4 Direct fiscal costs and benefits

The average reduction in W&I expenditure for the 10-year period following participation start date per Job Plus participant was \$800 to \$8,500 in 1996 (de Boer 2004). The average spending of \$3,500 per Job Plus participant compares to a minimum saving of \$800. However, considering employment and income assistance together, the subsidy spending is offset by a decrease in benefit expenditure. Therefore, it is cheaper to have a person on a wage subsidy than having them on the benefit, even if the wage subsidy has no impact on net employment. The only way in which Job Plus can incur a fiscal cost is if substituted non-participants were more disadvantaged in the labour market than the participants (de Boer 2004).

9.9 Post Placement Support Pilot, Into Work Pilot, In Work Support Pilot, Out of School Care and Recreation

9.9.1 The programmes and target groups

Post-placement support interventions are offered to job seekers moving into employment to mitigate the barriers associated with retaining employment. These barriers include financial difficulties, family life demands and labour market conditions (DoL 2002).

The findings below are from several sources: three small post-placement support pilot programmes offered for short periods between 1999 and 2001 – Post Placement Support Pilot (PPS), Into Work Pilot and, for Māori and Pacific participants, In Work Support Pilot; an evaluation of the short-term outcomes of the Domestic Purposes Benefit and Widow's Benefit (DPB and WB respectively) reforms; research on the reasons that participants leave employment to return to the benefit in South Auckland; and an evaluation of the Out of School Care and Recreation (OSCAR) subsidy.

The three pilot programmes offered services such as information, mentoring, advice and support to job seekers moving into employment to manage difficulties which could threaten their ability to retain the employment. The OSCAR subsidy was intended to provide low income parents with the opportunity to enter and/or remain in employment and training by reducing the financial disincentives associated with childcare costs and improving access to childcare by making it more affordable. The evaluation considered the impact of extending the childcare subsidy to out-of-school care for 5–13 year olds (DoL & MSD 2002b).

9.9.2 Results

The evaluations of the pilot programmes found few positive results in terms of employment retention. Participants who had exit interviews valued them (DoL 2002) and many felt they were better able to manage some of their own problems. However, overall, there was little success in employment retention. While PPS did not appear to influence employment retention in the short-term, it may result in long-term outcomes (DoL 2002).

There were numerous problems in programme delivery. Not all participants were given information about their access to assistance and entitlements. Case managers did not have the time required to devote to their participants. Many problems arose due to the less than ideal interface between MSD and the Inland Revenue Service (IRD). The services offered were not flexible enough to meet participants' individual needs. Other problems around

service delivery related to the outcomes based funding model, used for In Work Support (DoL 2002).

The evaluation of the DPB reforms found that sustainable employment for ex-DPB sole parents involved employment whose hours of work enabled them to manage their family responsibilities; income covered additional costs associated with employment (e.g. childcare, transport); and employment provided medium to long term certainty of income (DoL & MSD 2002a). While there was very low take-up of the OSCAR subsidy, most parents who used it found that it made childcare more affordable, and had increased their participation in paid employment, and to a lesser extent, in training. Many problems associated with the OSCAR subsidy related to its implementation (DoL & MSD 2002b).

The limited impact on employment retention may have been largely a result of the implementation of the programmes. The evidence from the New Zealand pilots suggests that developing and implementing the interventions as a continuum (as indicated in the Policy implications) is extremely difficult to achieve in practice (DoL 2002).

9.9.3 Direct fiscal costs and benefits

At the time of writing, no information was available on the fiscal costs of post-placement support.

9.10 Enterprise Allowance, Enterprise Allowance and Capitalisation, Business Training and Advice Grant

9.10.1 The programmes

Enterprise Allowance provides financial assistance to job seekers setting up their own business. The expected outcome is for the job seeker to become self-employed without a subsidy. Business Training and Advice Grant provides a grant to job seekers to pay for business skills training, develop and vet a business plan and/or advice when starting up a business (MSD 2001). The programmes can also provide a weekly subsidy to allow the business to become established and produce sufficient cash flow to support the job seeker. Participants need to invest \$1,000 of their own funds to be eligible for self-employment assistance.

9.10.2 Target groups

Self-employment assistance is targeted to long-term unemployed job seekers who are measured as relatively highly motivated by the SGI.

9.10.3 Results

The evidence from New Zealand is of a positive impact for five years after participation start from Enterprise Allowance and Capitalisation for participants in the 1996 calendar year. Six months after participation start, the impact ratio was 1.32. This peaked at 2.04 after one year, then fell to 1.37 after two years and 1.16 after five years. The impact ratio declined steadily as the outcomes of non-participants increased over the five-year period of the study (de Boer forthcoming c). Six months after participation start, 38 out of 100 participants were independent of W&I assistance, compared to 29 out of 100 non-participants. The difference between the two groups was most noticeable one year after

the start – when 76 out of 100 participants were independent of W&I assistance, compared to only 37 out of 100 non-participants (de Boer forthcoming c).

9.10.4 Direct fiscal costs and benefits

The average reduction in W&I expenditure for the 10-year period following participation start date per Enterprise Allowance participant was -\$3,000 to \$5,000 in 1996 (de Boer 2004).

9.11 Outcomes Based Funding (OBF)

9.11.1 The contracting approach

In New Zealand, OBF was implemented as a competitive model of service delivery and of funding external providers for employment outcomes where providers were free to choose any level and mix of employment assistance they deemed appropriate for job seekers.

9.11.2 Target groups for OBF pilots

The target groups varied for different providers, but covered job seekers registered unemployed for between 26 and 103 weeks.

9.11.3 Results

OBF, consistent with most employment placement programmes, has a strong short-term positive impact that slowly diminishes over the medium to long term.

See Figure 2 for a graphical representation of participant outcomes compared to non-participant outcomes and Table 18 for the impact ratio.

Figure 2 Outcomes for OBF participants and matched non-participants

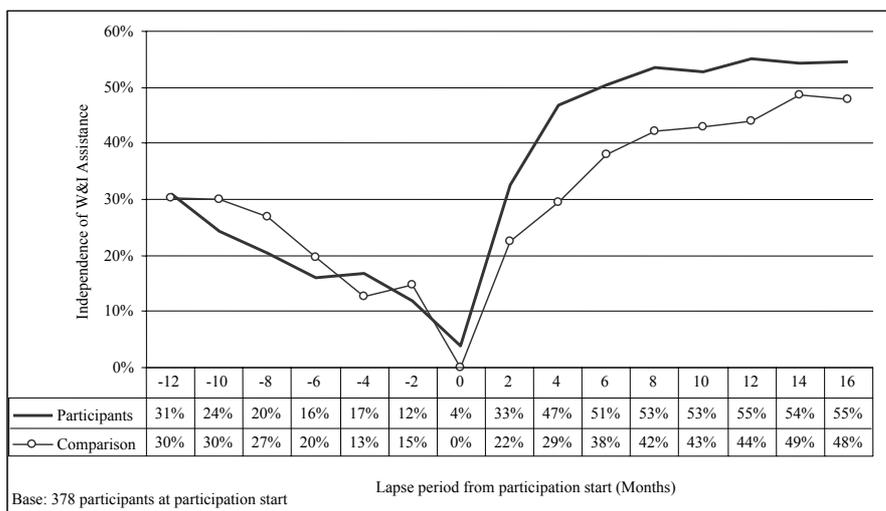


Table 18 Outcome and impact estimates of OBF

Group	Lapse period from 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

Notes: 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 reduced to 1.25 at month 12. This means that, at month 4, participants had a 60% greater likelihood of being independent of W&I assistance than the comparison group, but this reduced to 25% at month 12. At month 14, with an impact ratio of 1.11, the programme continued to have a positive effect, indicating that the programme had an enduring but diminishing impact on participants' outcomes beyond the time frame of the study. In other words, OBF accelerated participants' movement off W&I assistance, but this assistance may not have resulted in a permanent gain in outcomes over what would have been expected in the medium to long term (Ramasamy and de Boer 2004).

The evaluation tested the two assumptions that OBF was based on: firstly, that payments linked to outcomes will lead to effective assistance, and secondly, that a non-prescriptive approach to employment assistance will encourage innovative approaches tailored to job seekers' individual needs.

The system of linking payments to outcomes was assumed to be an incentive to providers to provide effective assistance. However, the assistance provided was limited mainly to job search types of pre-placement activities, along with job matching or brokerage. More significant employment issues, such as capacity building which do not guarantee an employment outcome, were seldom addressed. The duration of the assistance was an average of two months, even when more time was available. Post-placement support was limited to the first month, and, where participants exited from employment, providers did little to reconnect them. The graded payment structure tied to outcomes did not encourage provider effort in the way envisaged, hence is not a solution to determining the appropriate mix of employment assistance for job seekers (Ramasamy and de Boer 2004). While some providers offered assistance in an individualised manner, innovation in their approach was limited (Ramasamy and de Boer 2004).

Contrary to expectation, 'parking' emerged as an issue. Most provider effort occurred soon after a job seeker's referral and fell away if the job seeker did not achieve an outcome soon. As in Australia, providers appeared not to cross-subsidise participants by investing 'savings' from easily placed participants into those who were more difficult to place (Ramasamy and de Boer 2004).

'Creaming' was not a significant issue with OBF (Ramasamy and de Boer 2004), unlike the Job Network in Australia.

Overall, 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 coordinator. A key advantage of the approach was the use of such a dedicated resource coordinating all activities from enrolment to employment to post-placement support and with more frequent contact than through W&I case management. This seems to have worked better where providers had local labour market links (Ramasamy and de Boer 2004).

9.11.4 Direct fiscal costs and benefits

The analysis showed that OBF returned a net benefit value of negative \$77 per participant at 12 months after programme completion.²² 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 break even, this only holds true for the impact of the programme at the microeconomic level (Ramasamy and de Boer 2004).

9.12 Case management

Case management is the process of facilitating an individual job seeker's entry into employment. At W&I, this process is divided into two stages. The first stage involves providing financial assistance to deal with a job seeker's immediate financial situation. The emphasis here is on ensuring that a client receives their full and correct entitlement. The second stage focuses on assisting the client into employment. In practice, these stages can be divided into four phases, many of which occur simultaneously: risk assessment, needs assessment, referral to interventions and follow-up.

Risk assessment involves assessing the relative risk of a job seeker receiving income support for a prolonged period. This provides the basis for the level of assistance a job seeker may receive.

Needs assessment involves identifying and assessing the factors that reduce a job seeker's chances of gaining employment. In practice, needs and risk assessment are one and the same. The risk assessment provides an overall assessment of a job seeker's disadvantage, while the needs assessment identifies the specific reasons why the job seeker is disadvantaged.

Referral to interventions is based on the risk and needs information, enabling a case manager to identify which programmes and interventions are most likely to help the job seeker. The important issue at this stage is identifying effective interventions. It may well be that a job seeker is unlikely to move into employment, but there are no interventions to address the barriers that they face, in which case the case manager should not refer the client to any interventions.

²² A somewhat different method was used to calculate the fiscal costs of OBF than for the other ALMPs, hence the figure for OBF is given for 12 months following programme completion, compared to 10 years for the other ALMPs. However, both methods are comparable.

Follow-up involves reassessing a job seeker's situation after an intervention. For certain programmes, such as confidence building programmes, it is important to build upon the increased confidence. If a participant is not provided with further support, the benefits of any increase in confidence may be lost.

Individualised case management allows for better consideration of local conditions. Labour market programmes are more likely to be effective when they take into account the local characteristics of the target groups and seek to match them with local labour market needs. This implies that governance structures and delivery systems need to be attuned to local conditions. Recent New Zealand experience at the Department of Work and Income showed that a uniform service delivery approach was not a feasible response to managing and delivering employment programmes. Regional flexibility, a sort of decentralisation, was adopted following criticisms of a 'one size fits all' approach. The OECD agrees that while there are many forms of decentralisation, in general, this approach is a good one because it permits room to manoeuvre to area-based and integrated approaches between agencies and other local providers. Collaborating with others to bridge gaps in providing services can improve the delivery of programmes. Partnerships with Māori to provide culturally appropriate programmes and 'joined up' local responses with other government agencies are examples of such 'bridging' (MSD 2003c).

Moreover, employment programmes can be combined with the efforts of local and regional governments, the private sector, trade unions and community groups to better support development strategies balancing concerns of economic development, social inclusion and the quality of life. In this context, MSD has recently initiated the position of Social Development Manager in each W&I administrative region. The Social Development Manager is primarily responsible for identifying, developing and implementing collaborative initiatives and projects within a region. This involves working with a wide range of community and government agencies aimed at improving the social development and employment outcomes of job seekers (MSD 2003c).

The current Work Services Review is moving the focus away from the current supply side towards demand, which will allow the service to be more relevant to local labour market needs. The short, medium and long-term priorities for this program include:

- exploring options for increasing the levels of employment focused case management
- enhancing job seeker risk and needs assessment processes
- building knowledge on effective employment assistance.

Other key priorities are:

- ensuring that education and training are aligned with employment and the needs of the labour market
- improving labour market information
- addressing barriers such as childcare, accommodation and transport
- strengthening partnerships to improve employment opportunities.

At the time of writing, no recent New Zealand evaluative evidence was available for case management.

9.13 Staircasing

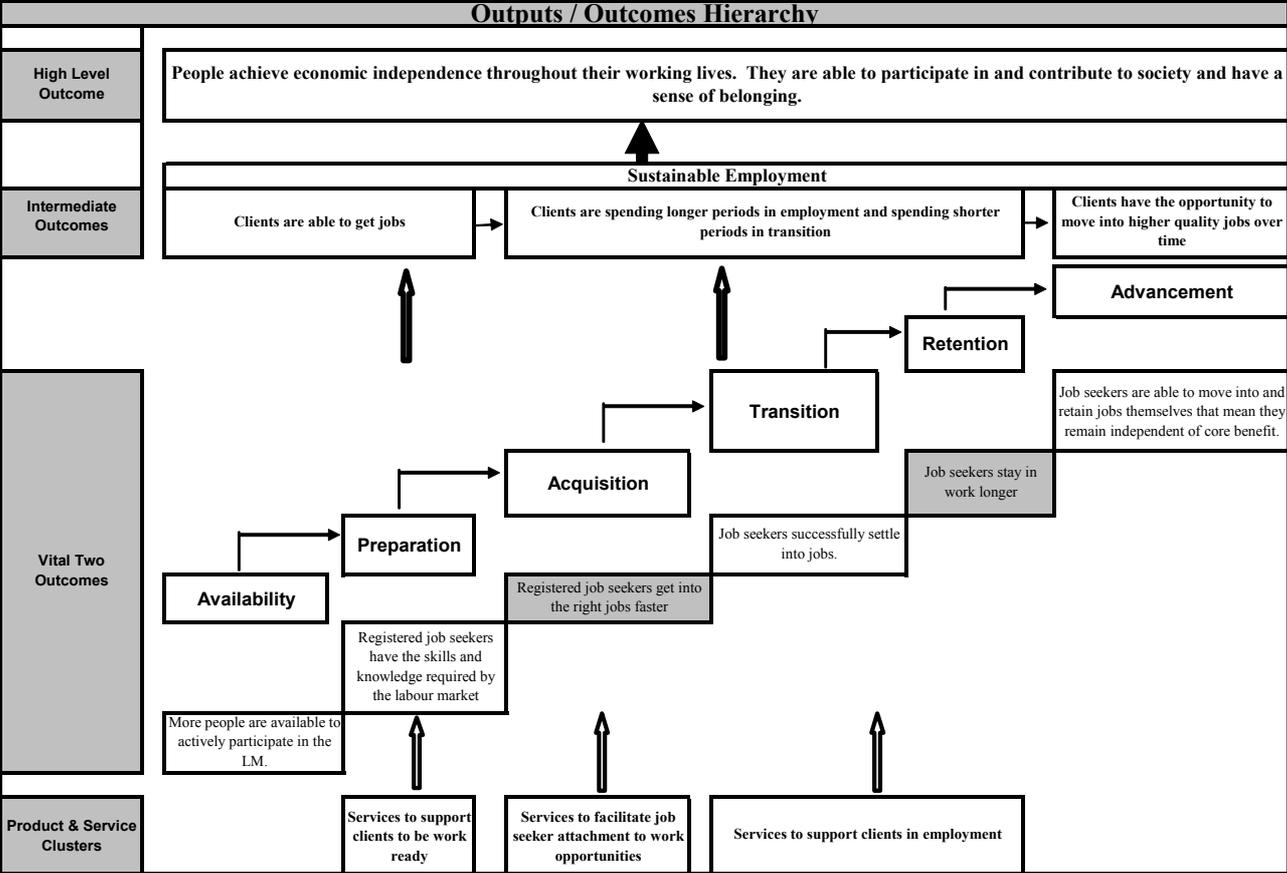
9.13.1 Results

Most New Zealand evaluations of employment interventions have focused on specific programmes or on types of programmes (such as training), with little evidence about the effectiveness of packages or combinations of measures. There is also little evidence around more general processes and structures through which employment services are delivered, and the concept of staircasing that possibly underlies such processes, indicating that the theories and practices related to staircasing were based on implicit rather than explicit assumptions (LMPG 2001a).

The second phase of the review of staircasing involved interviewing policy staff about the use and understanding of staircasing and its relationship with case management (LMPG 2001b). This phase also found that the staircasing model implicitly informed areas of employment policy development: it was considered more relevant at an operational than policy level. While there was general awareness of the staircasing concept, there was a range of understanding about what it means. Case management was seen as the tool to operationalise the staircasing model. Allowing case managers the flexibility to mix and match interventions at the same time as being accountable to the aspirations of the participants, in the context of available, suitable labour market opportunities, appeared crucial to the staircasing model. There were no silver bullet sequences for given groups of job seekers: some types of job seekers need more staircasing but the sequences are too varied to be specified in policy. Further, specifying sequences relies on a purely capacity building (supply) approach without taking labour market opportunities (demand) into account (LMPG 2001b).

10 APPENDIX 4: SUSTAINABLE EMPLOYMENT

Figure 3 Outcomes hierarchy of sustainable employment



11 APPENDIX 5: PARTICIPATION IN PROGRAMMES IN NEW ZEALAND, 2003

Table 19 Total number of participants per programme in 2003

Type of programme	Name of programme	Total number of participants	Subtotal
Case management	Career Guidance	5,523	52,446
	Information Services	1,326	
	Case Management	3,699	
	Modularised Seminars	41,479	
	Work Action	419	
Work confidence	Work Confidence for Long Term	439	8,212
	Work Confidence for Maori Men	8	
	Work Confidence for Maori Women	3	
	Work Confidence for Maori Youth	9	
	Work Confidence for Pacific Islanders	12	
	Work Confidence for Sole Parents	22	
	Work Confidence for Women	193	
	Work Confidence for Youth	5,678	
	Work Confidence Regional Initiative	144	
	NZ Conservation Corps	487	
	Youth Service Corps	69	
	Motivational Training	1,148	
Training	Targeted Training	5,204	24,274
	Skills Training Regional Initiative	1,150	
	Training	17,920	
Work experience	Work Experience	249	6,550
	Work Experience Regional Initiative	282	
	Community Work	3,091	
	Task Force Green	1,963	
	Job Connection	409	
	Job Plus Maori Assets	556	
Job search	Job Search Regional Initiative	9,008	21,287
	Job Search Skills	12,279	
Job placements	Job Placements	44,539	44,539
Wage subsidy	Job Plus training on the job	1,154	20,225
	Wage Subsidy Regional Initiative	20	
	Job Plus	19,051	
Post placement support	Work Transition	34,465	34,569
	Modification Grant	16	
	Support Services	88	
Self employment	Business Training and Advice Grant	2,083	5,138
	Self Employment Assistance	1,051	
	Enterprise Allowance	440	
	Enterprise Allowance Grant	1,564	
Other	Budget advice	81	8,877
	Unknown program type	8,649	
	Jobs Jolt initiative	126	
	Other	21	

Notes: This table refers to the number of participants in each programme. However, a person can participate in more than one programme over the year. Hence, the number of participants does not equate to the total number of W&I clients.

Source: MSD data