

# Review of outcome-based employment programs

June 2022



# Purpose of this research paper

## Exploring approaches to define and measure employment outcomes in outcome-based contracts

### Background

The Office of Social Impact Investment (OSII), in collaboration with its partners, supports a range of social impact investments (SII) that assist cohorts facing disadvantage to gain and sustain employment, and achieve greater financial independence.

The selection of appropriate outcomes and outcome metrics is a fundamental step in the design of these outcome-based programs.

Outcome	Outcome metric
An <b>outcome</b> is a measurable and observable change in individuals, groups, organisations, systems, or communities.  Example: greater access to sustained employment for young people facing disadvantage.	A <b>metric</b> is the specific measure that is used to demonstrate the outcome.  Example: an increase in the number of young people who secure and remain in employment for 13 or 26 weeks.

For the purpose of outcome-based contracts, outcome metrics should be: simple, timely, reliable, objective, thoughtful, and practical to measure.

### The purpose of this research paper is to:

- explore how different outcome-based employment programs define, measure, and pay on employment outcomes;
- consider how different outcome metrics are used, and for what participants different measurement approaches and metrics may be needed; and
- provide insights on innovative features used in outcome-based contracts to stimulate engagement on SII design choices.

The paper largely focuses on programs which target participants who experience disadvantage and face multiple barriers to employment, rather than 'job ready', qualified or experienced jobseekers.

*Note: This research provides a broad exploration of outcome-based employment programs across the globe and is not meant to be exhaustive. For jurisdictions outside of Australia, this research focuses on programs funded through Social Impact Bonds (SIBs) and payment-by-results (PbR) contracts, where program information and evaluations are readily available. Cases examined are in high-income countries with similar labour market conditions to New South Wales and Australia. This paper was prepared by the Office of Social Impact Investment (OSII) in NSW Treasury. The views in this document are for research and analytical purposes, and do not represent the views of the NSW Government.*

# Key learnings

## Insights from programs which define, measure and pay on employment outcomes

**1. The employment programs identified in this review typically focused on supporting individuals to achieve sustained employment and/or to increase their employability.**

The most common outcomes were:

- a) increasing the number of people in a target cohort who achieve sustained employment; or
- b) improving the employability of a target cohort.

The specific outcome selected for a program was often linked to the characteristics of the target cohort. Specifically, increased employability was more likely to be a focus when a program was targeted at young people and individuals with complex barriers to employment.

**2. Review of outcome-based employment programs suggests that there is no uniform approach to measuring sustained employment outcomes. The most common metric used considers the length of time an individual remains in a job.**

The most common method for assessing sustained employment was to measure the length of time participants spend in a job over a 4-, 12- and 26-week period. This metric provides insight into the stability of a specific job and, given its widespread usage, allows for easy comparison between the relative effectiveness and efficiency of different programs.

Other employment metrics used included:

1. an increase in hours worked over a set period;
2. an increase in earnings above a baseline; and
3. a reduction in unemployment benefits.

Measures that consider increases in income or a reduction in benefits provide insights into an individual's financial independence and wellbeing. Where government is the outcome funder, the third metric is also useful as government data can be used to verify the metrics and the savings generated by a program are clearly identified. However, further analysis may be required as an individual's benefits may change for a range of reasons not related to increased income.

**3. Improved employability was a focus of programs targeted at young cohorts and cohorts experiencing disadvantage. It was commonly measured through the completion of training and education.**

Metrics used for increased employability commonly assessed the number of participants who completed additional training and education. Volunteering and work-experience were also identified as activities that could improve participants' employability.

A benefit of using employability metrics is that they help capture progress participants make towards sustained employment. This is particularly the case for:

- young cohorts who may not have had the opportunity to complete the training or education required for a job; and
- cohorts with complex barriers to employment for whom achieving employment may not be feasible within the program's timeframe.

However, the activities recognised in these programs do not always lead to sustained employment and further analysis is required to understand the long-term impacts for participants. A phased approach to selecting outcomes – with payments for both employment and employability metrics – may also be more appropriate (see over).

# Key learnings

## Insights from programs which define, measure and pay on employment outcomes

### **4. There is a trend towards applying a phased approach when selecting outcomes, in which progress towards employment is recognised and rewarded alongside the achievement of sustained employment.**

A number of programs are increasingly rewarding both improvements in employability and the achievement of sustained employment through a phased approach. Specifically, while outcome payments are tied to employment, milestone payments are also awarded when participants complete activities that improved their employability. Payments can be more heavily weighted to sustained employment metrics, recognising that this is the ultimate outcome of the programs being funded.

In one instance, a new, single metric was designed to capture the hours participants spend in both employment and activities that improve their employability ('work-like activities'). Coined 'productive hours', similar to weighting employment outcomes more heavily, the number of hours spent in 'work-like activities' that could be counted was capped.

### **5. Where an outcomes-based approach is applied, research suggests that the payment structure should be carefully considered to ensure that the right incentives are in place for participants with complex barriers to employment.**

While a phased approach to selecting outcomes is becoming common, experience suggests there is a need to carefully consider the payment structure applied, including how payments are weighted across outcomes. For example, the evaluations of the Innovation Fund (IF) and Youth Engagement Fund (YEF) in the UK found that the payments structures used may have incentivised providers to focus on easier-to-achieve outcomes (e.g. improved attitudes toward school attendance) for a larger intake of participants, rather than the more ambitious outcomes that were the focus of the program (e.g. gaining and sustaining a job).

Research in Australia suggests, that where a program engages a mix of participants, the weighting attached to employment outcomes should be considered. Specifically, there is a concern that if employment outcomes payments are weighted too heavily providers may prioritise job-ready participants rather than those requiring substantial, longer term support.

### **6. Finally, some jurisdictions (such as the UK and Europe) are using trials to test and identify what outcome metrics should be used for early-stage programs.**

In various jurisdictions, early-stage programs with limited evidence undergo a trial phase prior to being scaled-up or funded through an outcomes-based contract. This allows the service providers and investors to:

- test the effectiveness of the program and build confidence in the program's approach;
- assess the merits of different ways to measure, monitor, verify and pay on employment outcomes;
- better understand what targets should be set for the outcome metrics selected; and
- assess the appropriateness of novel SII structures from the perspective of commissioners, co-funders and service providers.

# Snapshot of programs reviewed - Australia

Jurisdiction	Program/s considered	Outcomes paid on	Key insights
Australia Commonwealth	<ul style="list-style-type: none"> <li>• Jobactive</li> <li>• Workforce Australia</li> <li>• Transition to Work</li> <li>• Disability Employment Services</li> </ul>	<ul style="list-style-type: none"> <li>• Outcomes are mostly paid based on achievement of 4-, 12- and 26-week outcomes, with focus on reducing reliance on income support.</li> <li>• Higher outcome payments are typically paid for cohorts with complex barriers to employment and the long-term unemployed.</li> <li>• Additional supports such as wage subsidies to employers and bonus payments for those who have been unemployed over the very long-term are also used to further incentivise outcomes for cohorts with high barriers to employment.</li> </ul>	<ul style="list-style-type: none"> <li>• The Commonwealth Government is principally responsible for Australia's employment services.</li> <li>• In 2018 the Commonwealth Government appointed an Expert Advisory Panel to review its employment services, recommending that more needs to be done to achieve better outcomes for participants.</li> <li>• In particular, research suggests that the Commonwealth's employment programs have historically been less effective for cohorts with high barriers to employment and the long-term unemployed.</li> <li>• Upcoming reforms, including Workforce Australia (previously called New Employment Service Model), look to focus greater resources on these cohorts.</li> <li>• Support for participants who are identified as 'job-ready' will be delivered digitally.</li> </ul>
Australian States	<ul style="list-style-type: none"> <li>• Smart Skilled and Hired</li> <li>• Youth Employment Innovation Challenge</li> <li>• Sticking Together Project (STP)</li> <li>• Youth Employment Social Impact Program (YESIP)</li> <li>• Return to Work Scheme</li> <li>• Victoria Employment Services</li> </ul>	<ul style="list-style-type: none"> <li>• Outcomes are paid based on a variety of metrics including:               <ul style="list-style-type: none"> <li>• 12- and 26-week outcomes (above minimum threshold hours); and</li> <li>• cumulative/total number of hours spent in employment and other activities that improve participants employability e.g. training.</li> </ul> </li> <li>• Programs are also increasingly adopting milestone payments, which are tied to metrics such as job commencements and training completion.</li> </ul>	<ul style="list-style-type: none"> <li>• State governments have introduced employment programs where needs have emerged for specific cohorts; mainly, those with complex and multiple barriers to employment.</li> <li>• These programs often consider the social and economic costs of unemployment and under-employment which are borne by state services (e.g. health, social housing, justice).</li> <li>• The state programs considered in this review often used similar milestone and employment metrics as the Commonwealth programs above.</li> </ul>

Note: YESIP and STP are programs which the Office of Social Impact Investment (OSII) has had direct involvement in commissioning and overseeing.

# Snapshot of programs reviewed – other jurisdictions

Jurisdiction	Program/s considered	Outcomes paid on	Key insights
United Kingdom	<ul style="list-style-type: none"> <li>Innovation Fund</li> <li>Youth Engagement Fund</li> </ul>	<ul style="list-style-type: none"> <li>Outcomes were paid based on a rate card approach which rewards:               <ul style="list-style-type: none"> <li>(i) entry to employment; and</li> <li>(ii) sustained employment (measured as working a minimum of 16 hours/week over a 3- and 26-week period)</li> </ul> </li> <li>Intermediate outcomes were also paid on such as improved attitude and attendance in school/education and accreditations based on UK's Qualifications and Credit Framework (QCF).</li> <li>Programs targeting youth and school-age participants also used a variety of engagement and training metrics for outcome payments.</li> </ul>	<ul style="list-style-type: none"> <li>The programs reviewed focus on early intervention with school-age and young participants, measuring and paying on engagement and positive school behaviours, as well as education and employment.</li> <li>Learnings from these programs suggests that simply paying a higher outcome payment for cohorts with complex barriers to employment may not appropriately incentivise employment outcomes if the risk of achieving these outcomes is perceived to be too high by providers.</li> </ul>
Europe	<ul style="list-style-type: none"> <li>Duo for a Job</li> <li>Workplace Rotterdam South</li> <li>Intervention on Supply and Demand</li> <li>Caritas Perspective</li> <li>Colour Kitchen</li> <li>Kotouttamisen</li> </ul>	<ul style="list-style-type: none"> <li>Outcomes were paid on a combination of some of the following metrics:               <ul style="list-style-type: none"> <li>improvement in the overall employment rate;</li> <li>reduction in the number of days participants receive government benefits;</li> <li>number of participants that gain sustained or prolonged employment contracts (e.g. 90-days or permanent contracts); and</li> <li>number of participants who complete training and/or education.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Various European programs utilised partnership models with local businesses and social enterprises, applying a 'place first, then train' approach to support entry into mainstream employment.</li> <li>Other programs targeted labour market conditions, such as CV/hiring bias and the social capital of migrants and refugees, as key barriers to employment.</li> <li>All examples focused on using a single, simple yet robust measure for the intervention group relative to a control or comparison group.</li> <li>Several programs linked outcome payments to a reduction in government benefit payments or an increase in income tax collected.</li> <li>Several others included indicators of attaining more stable forms of employment as an outcome metric, such as the signing of longer-term employment contracts.</li> </ul>

# Snapshot of programs reviewed – other jurisdictions

Jurisdiction	Program/s considered	Outcomes paid on	Key insights
North America	<ul style="list-style-type: none"> <li>MA Pathways to Employment and Advancement</li> <li>Essential Skills Social Finance Pilot</li> <li>Veterans CARE</li> </ul>	<ul style="list-style-type: none"> <li>Outcomes were paid on a combination of some of the following metrics:               <ul style="list-style-type: none"> <li>program engagement (enrolment);</li> <li>increase in participant earnings;</li> <li>successful transition and education completion based on proportion who earn target credit points; and</li> <li>gains in skills against an individual baseline following training (test results).</li> </ul> </li> <li>Increases in participants' levels of job satisfaction were also measured, although it is unclear whether these improvements are also paid on.</li> </ul>	<ul style="list-style-type: none"> <li>Several North American programs have trialled novel approaches, paying on metrics such as increased scores on literacy, numeracy and computer skills tests as a proxy for employability, while another directly paid on increased annualised earnings as an indicator of attaining higher-wage employment.</li> <li>Larger programs were able to use robust evaluation methodologies like randomised control trials to assess their performance.</li> </ul>

# Australia

# Key learnings

## Australia

### **1. While the Commonwealth Government is principally responsible for Australia's employment services, State governments have also introduced programs where needs have emerged for specific cohorts.**

The Commonwealth Government is principally responsible for employment services in Australia. However, State governments also implement programs to address emerging needs and gaps in the service system for specific cohorts within their jurisdictions. These programs are often targeted towards, and use metrics tailored to, cohorts with unique and complex barriers to employment (e.g. young people facing disadvantage, or injured workers).

While state programs often focus on delivering 'additionality' (i.e. not duplicating the Commonwealth's efforts), there are opportunities for cross-government collaboration and partnership.

For example, while the Commonwealth holds ownership for employment and income support data, several NSW programs have been required to implement manual processes, such as collecting payslips and other evidence from participants and employers. This has proved challenging and administratively burdensome, and could be addressed by enabling data sharing between the Commonwealth and States.

### **2. Experience in Australia suggests that payment structures should be carefully considered to ensure the right incentives are in place for supporting jobseekers with high barriers to employment.**

Outcomes-based contracts have played a significant role in Australia's employment service landscape; with an increasingly large share of the total funding for employment services being tied to outcome payments. This can be seen in the ratios between advance/service payments and outcome payments for key programs. For example:

- Jobactive's advance/service payment to outcome payment ratio is 48:52, while the prior Job Services Australia scheme was 67:33.<sup>1</sup>
- Victoria's 2021 job services program ratio of advance/service payment to outcome payment is now 35:65, while the previous program was 60:40.<sup>2,3</sup>

Despite this shift, research suggests it is important to carefully consider the balance between advance/service payments and outcome payments. For example, where programs work with a mix of clients, there is some concern that if employment outcomes are weighted too heavily, providers may prioritise job-ready participants rather than those requiring additional, longer term support to achieve employment.<sup>4,5</sup>

Other factors may also influence the portion of the total payments paid in advance compared to those tied to the achievement of outcomes. For example, smaller organisations may not be in a position to take on the financial risk associated with larger outcome payments, requiring earlier cashflows to cover set up and program costs.

# Key learnings

## Australia

### **3. Several programs applied a phased approach to selecting outcomes, using metrics for completion of activities that place participants on a path to employment, as well as sustained employment.**

Programs supporting cohorts with high barriers to employment, particularly young people and those who have been unemployed for long periods, often included outcome metrics that measure improvements in employability. The payments attached to these metrics aim to incentivise providers to work with cohorts with complex barriers, particularly in instances where achieving employment may be difficult within the term of a program. However, further research and monitoring of long-term program impacts is required to ensure that the employability metrics selected are appropriate indicators of sustained employment.

While some of the employment metrics used consider the length of time participants spend in a job, others have sought to capture participants who remain in contact with the labour force over multiple jobs. Two programs have similarly included part-time employment outcomes to provide more flexibility and recognise casual work.

Hours worked is commonly considered in program design. Weekly hours worked are included in some programs as a baseline or performance threshold, while others use total hours worked over a specified period as a proxy measure of increased work skills/employability.

Further research and monitoring is again required to ensure that the participants who achieve these employment outcomes remain employed over the longer term.

# Employment programs & SIs - Australia (Cth)

Program	Description	Structure	Outcomes paid on	Key insights
<b>Jobactive</b> 2015-2022  ~\$7.3b (projected cost over 5 years)	<ul style="list-style-type: none"> <li>Jobactive is the current government funded, mainstream employment service to help Australians into work through a network of contracted organisations.</li> <li>Workforce Australia (below) will replace Jobactive in 2022.</li> </ul>	<ul style="list-style-type: none"> <li>Jobactive includes various jobs or skills programs for different cohorts, such as the Work for the Dole and Youth Jobs PaTH programs.</li> <li>Delivered by contracted private and not-for-profit organisations in a payment-by-result structure.</li> <li>According to Centrelink's assessment via the Job Seeker Classification Instrument (JSCI), larger outcome payments are paid for jobseekers with higher barriers to employment; jobseekers in Stream B (some barriers) and Stream C (multiple barriers).</li> </ul>	<ul style="list-style-type: none"> <li>Providers are paid for placing jobseekers in employment at 4-, 12- and 26-weeks.</li> <li>Additional payments and weightings are given for jobseekers living in regional areas, and the long-term unemployed (Stream C).<sup>6</sup></li> <li>Providers also receive upfront funding for administrative and ongoing service fees.</li> <li>A \$10k wage subsidy is available to employers who hire jobseekers from specific cohorts.<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>In 2018 the Commonwealth Government appointed an Expert Advisory Panel to review its employment services. It recommended that more needs to be done to achieve better outcomes for participants.<sup>8</sup></li> <li>It has been suggested that the 'Achilles heel' of the system is its poorer performance for highly disadvantaged or long-term unemployed participants.<sup>9</sup> Around two-thirds of the Jobactive cohort have been unemployed for more than a year, while 44% of participants in Stream C have been unemployed for more than 5 years.<sup>10, 11</sup></li> <li>Various researchers have raised questions over the program's payment structure and whether it incentivises providers to focus more on Stream A participants than on those with greater barriers to employment who may find it harder to gain and sustain a job.<sup>12</sup></li> </ul>
<b>Workforce Australia</b> 2022-2026  \$699.4m (includes subprograms such as Transition to Work)	<ul style="list-style-type: none"> <li>Workforce Australia will commence in July 2022 with a number of changes from Jobactive.</li> <li>'Digital services' will primarily be used for job-ready participants who will largely self-manage their path to employment without case management.</li> <li>'Enhanced services', including face-to-face case management support, will be provided for disadvantaged jobseekers.</li> </ul>	<ul style="list-style-type: none"> <li>Key changes to the prior Jobactive model include the introduction of Specialist Enhanced Services Providers in some locations to support specific cohorts including Indigenous Australians, participants who are culturally and linguistically diverse, refugees and ex-offenders.</li> <li>Similar to Jobactive's 'streams', outcome weightings are applied for participants assessed (using the JSCI) as having 'moderate' or 'high' barriers to employment.</li> <li>The JSCI will also be used to distinguish between vocational and non-vocational employment forms of disadvantage, to direct services to address them.</li> </ul>	<ul style="list-style-type: none"> <li>Up-front engagement payments.</li> <li>Progress payments will be paid for ongoing delivery of support services.</li> <li>Employment outcomes payments will be paid on 4-, 12- and 26-weeks in employment – a new 'partial' 26-week outcome is paid, when jobseekers reduce their income support by 60%.</li> <li>A Very Long-Term Unemployment (VLTU) Bonus will automatically be paid alongside any employment outcome when the job seeker has been unemployed for more than two years.</li> <li>\$10k wage subsidies will continue to be paid to employers who hire participants from specific cohorts with high barriers to employment.<sup>13</sup></li> </ul>	<ul style="list-style-type: none"> <li>The addition of progress payments and partial 26-week payments could provide more flexibility toward achieving employment, which may be more suitable for cohorts with higher barriers to employment.</li> <li>Greater resources and more-individualised support for disadvantaged jobseekers may narrow the scope for state employment programs, amid a reformed Commonwealth service delivery landscape.</li> <li>Work-integrated social enterprises (WISEs) currently cannot participate in Workforce Australia.</li> </ul>

Note: The program costs listed reflect the total budget for the program period.

# Employment programs & SIs - Australia (Cth)

Program	Description	Structure	Outcomes paid on	Key insights
<p><b>Transition to Work (TtW)</b></p> <p><i>To be re-contracted, 2022-2026</i></p> <p><b>\$481.2m</b> (2022-2026)</p>	<ul style="list-style-type: none"> <li>The TtW employment service helps young people aged 15-24 into work (including apprenticeships and training) or education.</li> <li>Participants receive pre-employment support to develop practical skills to get a job, connect with education or training, find local job opportunities and connect with relevant local community services.</li> </ul>	<ul style="list-style-type: none"> <li>Delivered by contracted private and not-for-profit organisations in a payment-by-result structure.</li> <li>If a participant receives income support they will need to participate in TtW, or otherwise be transferred to mainstream Jobactive services.</li> <li>Participants are expected to take part in 25 hours per week of employment, education or training activities.</li> </ul>	<ul style="list-style-type: none"> <li>Four main types of payments: Up-front Payments; Bonus Outcome Payments; Sustainability Outcome Payments; PaTH Internship Outcome Payments.</li> <li>Bonus Outcome payments (26-week participation in employment or education) and sustainability payments (52-week) pertain to performance only above the Outcome Performance Target – education and employment outcomes have the same outcomes value.</li> <li>A wage subsidy of \$10,000 is available for employers hiring TtW participants to support disadvantaged young jobseekers' competitiveness.<sup>14</sup></li> </ul>	<ul style="list-style-type: none"> <li>TtW's performance framework outlines the program's outcomes and key performance indicators. Outcome payments are structured to pay only for outcomes which exceed performance targets.</li> <li>The justification for greater advance payments or service fees is "to enable up-front investment in young people" in providing holistic, personalised support.<sup>15</sup></li> <li>In line with the dual focus of this specific program, payments for education and employment outcomes are weighted equally to incentivise young people to participate in both.</li> </ul>
<p><b>Disability Employment Services (DES)</b></p> <p>2018-2022, to be reformed in 2023</p> <p><b>\$3.2b</b></p>	<ul style="list-style-type: none"> <li>DES is the main Australian Government funded employment services for people whose disability is assessed as the main barrier to gaining employment.</li> <li>The program operates roughly the same as Jobactive, including categorising participants into streams.</li> </ul>	<ul style="list-style-type: none"> <li>DES has two parts: <ul style="list-style-type: none"> <li>Disability Management Service - for job seekers with disability, an injury or a health condition who need assistance to find a job and occasional support in the workplace to keep a job.</li> <li>Employment Support Service - for job seekers with permanent disability who need help to find a job and who need regular, ongoing support in the workplace to keep a job.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Contracted organisations receive a 50:50 split of advance service fees and varied outcome payments.</li> <li>Service fees are paid every 13-weeks for providers to deliver assistance to participants to find and secure employment.</li> <li>Outcome fees are paid when participants have maintained sustainable employment or education for 4-, 13-, 26- and 52-weeks.</li> <li>Full outcome payments are payable when participants work at least their benchmark hours every week over the outcome period.</li> <li>Pathway outcome payments are payable when participants work at two-thirds of their benchmark hours over the outcome period.</li> <li>Ongoing Support fees are also paid if participants need further assistance maintaining employment after 26-weeks.<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>Some have raised questions over the effectiveness of the program's market mechanisms. For example, a 2018 reform raised outcome payments for 26-week outcomes by 38% (from \$27,800 to \$38,400) leading to a third of providers to double their revenue, while the program's 26-week outcomes increased by only 8%.<sup>17,18</sup></li> </ul>

# Employment programs & SIs - Australia (State)

Program	Description	Structure	Outcomes paid on	Key insights
<b>Smart Skilled and Hired (SSH)</b>  <i>NSW</i> <i>2017-2020</i>  <b>\$45m</b>	<ul style="list-style-type: none"> <li>A place-based program aimed at getting unemployed or underemployed participants aged 15-24 into work or job ready. Participants must not have been enrolled in a federal program.</li> </ul>	<ul style="list-style-type: none"> <li>The Youth Employment component of SSH initially engaged 10 service providers across four target regions in NSW – Western Sydney, Central Coast and Hunter, New England/North West and North Coast.</li> <li>Services were funded through payment-by-results contracts.</li> <li>A flexible outcomes-based model was adopted to allow providers to design tailored support plans and activities to cater for the needs of participants.</li> </ul>	<ul style="list-style-type: none"> <li>Service providers were paid based on achieving sustained employment for at least 13- and 26-weeks, where there was an increase of at least 14-hours of work per week compared to their employment before joining the program.</li> <li>Payable outcomes also included a range of employability outcomes that supported people getting into employment and addressed vocational and non-vocational barriers.<sup>19</sup></li> </ul>	<ul style="list-style-type: none"> <li>The program was intended to address both unemployment and underemployment, which are noted problem for young jobseekers and school leavers.</li> <li>The 14-hour increase in worked hours used a flexible 'baseline approach', flexibility of outcomes also applied to address a range of other barriers to work.</li> </ul>
<b>Youth Employment Innovation Program (YEIC)</b>  <i>NSW</i> <i>2018-2020</i>  <b>\$10m</b>	<ul style="list-style-type: none"> <li>YEIC (part of the broader SSH program) provided outcome-based funding to innovative solutions and ideas that help young people aged 15-24 years find employment in NSW.</li> <li>The program involved a pitch event and a 12-week incubation period prior to program commencement.</li> <li>Some YEIC providers were work-integrated social enterprises (WISEs).</li> </ul>	<ul style="list-style-type: none"> <li>Contracts were awarded to 12 service providers up to \$750k each in six NSW regions - Western Sydney, Central Coast and Hunter, New England/North West, North Coast, Illawarra and Southern Highlands/Shoalhaven.</li> <li>Services were funded through payment-by-results contracts.</li> <li>Low advance payments of c.10% of contract value were applied.</li> </ul>	<ul style="list-style-type: none"> <li>Each provider was contracted to achieve a range of outcomes that were specific to their program.</li> <li>Payments were made based on the achievement of employability milestones and employment metrics, including: <ul style="list-style-type: none"> <li>sign-up and engagement</li> <li>completion of training</li> <li>completing specific qualification e.g. certificate I or II</li> <li>commencement of mainstream employment</li> <li>employment for 3, 6 months.<sup>20</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The application and incubation process encouraged innovative service models.</li> <li>Employment readiness and milestone outcomes incentivised the incremental steps taken by young people with high barriers to employment to gain and sustain a job.</li> </ul>

# Employment programs & SIIs - Australia (State)

Program	Description	Structure	Outcomes paid on	Key insights
<b>Sticking Together Project (STP)</b>  NSW 2019-2023  <b>\$10m</b>	<ul style="list-style-type: none"> <li>STP supports young people (aged 18-24) with high barriers to employment to prepare for, secure, and maintain employment through a personalised 60-week coaching model.</li> <li>STP was originally launched as Australia's first Social Impact Bond (SIB) targeting youth unemployment, with \$5m financed by investors.</li> </ul>	<ul style="list-style-type: none"> <li>After a year of operating as a SIB, investors exited the investment and the program transitioned to a 12-month outcome-based grant.</li> <li>Following the grant phase, the program transitioned to a 2-year payment-by-results (PbR) contract.</li> <li>The PbR contract reduced the total funding allocated to advance payments in favour of milestone payments, which included target enrolments and employment commencements.</li> </ul>	<ul style="list-style-type: none"> <li>Under the SIB, outcome payments were made on the following metrics:                             <ul style="list-style-type: none"> <li>the cumulative incremental 'productive hours' (defined as hours spent in work and 'work-like' activities).</li> <li>Work-like activities were capped at 20% of the hours spent in work.</li> </ul> </li> <li>Under the PbR, outcome payments are based on the following metrics:                             <ul style="list-style-type: none"> <li>enrolments into the program;</li> <li>employment commencements; and</li> <li>average productive hours achieved (defined as hours spent in work and 'work-like' activities).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The STP outcome metric considers hours in work, as opposed to weeks of sustained employment. This metric was proposed by the service provider to reflect young people's employment patterns and connection to the labour force. Specifically, young people often change job, sample different jobs and industries of work, and are in casual roles.</li> <li>Collecting evidence from participants to verify employment outcomes (hours worked) and time in work-like activities has been a challenge.</li> </ul>
<b>Youth Employment Social Impact Program (YESIP)</b>  NSW 2020-2022  <b>\$1.5m</b>	<ul style="list-style-type: none"> <li>YESIP funds social impact organisations, including social enterprises, to continue/scale up an existing initiative designed to support young people experiencing disadvantage to find and retain employment.</li> </ul>	<ul style="list-style-type: none"> <li>Payment-by-result contracts were awarded to three providers in Western Sydney and New England.</li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments are made on the following metrics:                             <ul style="list-style-type: none"> <li>Length of time in employment for at least 4-, 13- and 26-weeks.</li> </ul> </li> <li>Milestone payments are also incorporated and tailored to the specific programs funded. Examples of milestones include:                             <ul style="list-style-type: none"> <li>enrolment,</li> <li>completion of training courses,</li> <li>commencement of employment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>YESIP allocates funding across multiple smaller scale programs to enable place-based investments.</li> <li>This approach also enables comparison of outcomes and cost-effectiveness between programs and business models, a streamlined approach to test multiple SIIs.</li> </ul>

Note: YESIP and STP are all programs which the Office of Social Impact Investment has had direct involvement in commissioning and overseeing. Program evaluations will be made available on [OSII website](#).

# Employment programs & SIs - Australia (State)

Program	Description	Structure	Outcomes paid on	Key insights
<b>Return to Work (RtW) scheme</b>  SA 2014-2022  Funding not publicly available.	<ul style="list-style-type: none"> <li>The RtW scheme is intended to improve an injured worker's capacity to return to work at similar income/worked hours.</li> <li>Includes workplace assessments, support services, medical treatments and medical certification of work readiness.</li> </ul>	<ul style="list-style-type: none"> <li>RtW funds various fixed-cost initiatives, work readiness assessments, worker fitness programs, and support which will facilitate an improvement in the worker's certified medical capacity to participate in employment.</li> <li>Outcome payments are paid on the successful resumption of pre-injury work, under various scenarios of medical readiness and work participation, using benchmarks of pre-injury income and hours.</li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments are based on the following metrics:                             <ul style="list-style-type: none"> <li>13- and 26-week 'durability fees' scaled depending on whether workers achieve pre-injury weekly earnings or hours, or sustain employment with lower pre-injury earnings or hours.<sup>21</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Different weeks in employment outcomes are weighted higher for achieving pre-injury earnings than for hours. This flexible approach may have been implemented to incentivise workers to retain high-value duties, rather than the return to work with lower-value work duties.</li> <li>Successful outcomes are not paid under various conditions, such as when workers develop, aggravate or sustain an injury, to ensure workers are not encouraged to work beyond their level of fitness.<sup>22</sup></li> </ul>
<b>Victoria Employment Services (VES)</b>  VIC 2021-2023  \$619m	<ul style="list-style-type: none"> <li>VES focuses on long-term and 'at risk' of long-term unemployed jobseekers, partnership with local services that are responsive to local employment needs.</li> <li>Participation in the program is voluntary.</li> </ul>	<ul style="list-style-type: none"> <li>General advance/service payments (30% of budget) are paid to providers on the up-front signing of the service contract.</li> <li>65% percent of the budget is allocated to outcome payments; 32% when participants commence employment, and 33% when a 26-week outcome is achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments are based on the following metrics:                             <ul style="list-style-type: none"> <li>employment commencement; and</li> <li>26-week employment outcomes for both part-time (15-29 hours) and full-time (30+ hours) employment.<sup>23</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments are not weighted according to full-time or part-time hours, but rather depend "on the needs of jobseekers and employers."<sup>24</sup></li> <li>Unlike many similar programs, VES omits a 13-week outcome, instead having larger up-front or service payments, and a 26-week outcome payment. The program claims flexibility: a structure which balances both individual participant needs through individualised servicing, and a strong focus on employment outcomes.<sup>25</sup></li> <li>VES emphasises not duplicating Commonwealth services.</li> </ul>

# United Kingdom

# Key learnings

## United Kingdom

### 1. The outcome metrics and corresponding payment structure selected should be carefully considered to ensure the right incentives are in place.

The UK experience suggests that paying a higher amount for the ultimate outcomes of a program (e.g. employment) may not in itself result in better outcomes if the risk of achieving those outcomes is perceived to be too high. Similarly, there is a concern that if a program can remain financially viable by only targeting milestone outcomes (e.g. employability metrics) providers will not be incentivised to work towards longer-term outcomes such as employment.

These concerns were highlighted in the evaluations of the Innovation Fund (IF) and YEF, which employed identical rate cards. Specifically, it was noted that the payment structures had the potential to incentivise providers to:

- a) focus on easier-to-achieve outcomes (e.g. improved school attendance) for a larger intake of participants, rather than more ambitious outcomes (e.g. sustaining employment); and
- b) work with participants with less barriers to employment, rather than supporting the most disadvantaged.

### 2. Adopting an outcome-based approach to commissioning can help drive performance by focusing attention on the impact a program is having.

The vast majority of stakeholders who took part in the evaluation of the YEF agreed that the SIB funding model had helped to drive performance improvements. The evaluators noted that there was a 'widespread belief' that the impact achieved by the program was greater than what would have been achieved by a more traditional, fee-for-service model.<sup>26</sup> This was attributed to the SIB structure's focus on outcomes and its ability to encourage flexibility and innovation.

By way of direct comparison, while the SIB structure used for YEF was found to focus attention on outcomes, it had some unintended effects. The evaluation noted that it may have led to cherry picking and duplication. Despite these unintended impacts, most of the stakeholders involved in the SIB (commissioners, service providers and investors) reported positive, overall views of the investment structure.<sup>27</sup>

### 3. It is important for the measurement period to align with critical junctures in a participant's progress.

When developing the timeline for an outcome-based contract, experience in the UK highlights that it is important for the operations and outcome measurement period to align with critical junctures in a participants' progress. Specifically, YEF encountered administrative and service delivery issues as the SIB operated on financial years, rather than aligning with the academic year. While design choices were made to overcome this, such as allowing for outcomes achieved at a later date to be counted, the evaluation notes that "this did not fully resolve" the difficulties caused.<sup>28</sup>

# Key learnings

## United Kingdom

**4. An ‘uplift’ approach, or metrics that measure progress towards an outcome, may be appropriate when working with participants with high barriers to employment.**

The YEF evaluations suggests that tying outcome payments to metrics that either:

- a) measure improvements against a baseline (rather than a single, binary outcome), or
- b) measure progress towards an outcome

may be appropriate when working with cohorts with particularly high barriers to employment. This is because these metrics can help to mitigate a circumstance where providers preference ‘job-ready’ participants who are more-likely to gain and sustain employment.

*Note: This review did not analyse the UK’s main employment program, the Work Programme, as it closely resembles Jobactive.*

# Employment SIs - United Kingdom

Program	Description	Structure	Outcomes paid on	Key insights
<b>Innovation Fund (IF)</b>  2012-2015 <i>Department of Work and Pensions</i>  <b>£30m</b>	<ul style="list-style-type: none"> <li>10 payment-by-results contracts were awarded (over two rounds) to re-engage young people (aged 14-24) experiencing or at risk of experiencing disadvantage in education, training and employment.</li> <li>The second round funded early interventions and only targeted young people aged 14-15.</li> </ul>	<ul style="list-style-type: none"> <li>100% outcome payments were based on an agreed Rate Card.</li> <li>Payments were made monthly based on the number of participants meeting the agreed outcomes each month.</li> <li>Providers were required to provide evidence to support their outcome payment claims.</li> <li>Depending on the level of individual performance, the service providers received a bonus.</li> <li>The maximum amount payable per participant was capped at £11,700, based on 3 years of annual expenditure savings, rather than the costs of service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments were based on the following metrics:               <ul style="list-style-type: none"> <li>entry to employment; and</li> <li>sustained employment (13 and 26 weeks, minimum 16 hours a week) – the highest price per outcome in Rate Card.</li> </ul> </li> <li>Other intermediate, outcome metrics were paid on:               <ul style="list-style-type: none"> <li>improved attitude to school/education;</li> <li>improved attendance and school behaviour;</li> <li>QCF accredited entry-level qualification; and</li> <li>NQF qualifications.<sup>29</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of IF found that the SII structure may have incentivised easier-to-achieve outcomes (e.g. improved attitudes toward school attendance) for a larger intake of participants, rather than more ambitious outcomes (e.g. gaining and sustaining a job). This may have diluted the policy intent of achieving longer-term goals; specifically, sustained employment.</li> <li>The SII model was acutely sensitive to outcomes (and payments) being achieved, leading to all parties' interest in continuous monitoring and delivery improvement.<sup>30</sup></li> </ul>
<b>Youth Engagement Fund (YEF)</b>  2015-2018 <i>Office for Civil Society, Department for Work and Pensions, and Ministry of Justice</i>  <b>£16m</b>	<ul style="list-style-type: none"> <li>YEF aimed to help disadvantaged young people (aged 14-20) participate and succeed in education or training.</li> <li>The program included four projects/providers.</li> <li>The service providers all had established programs, with YEF focused on scaling up their existing solutions.</li> </ul>	<ul style="list-style-type: none"> <li>In addition to receiving government funding, projects were also expected to source funding from local authorities to cover a portion of outcome payments.</li> <li>100% outcome payments, based on an agreed Rate Card. The Rate Card applied was the same as that used for the IF.</li> <li>Projects had flexibility at the 'bedding stage' to state the number of outcomes they were expecting to achieve.</li> <li>YEF also paid on a series of proxy/intermediate outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>For participants aged 14 and 15 years, outcomes were paid on the following metrics:               <ul style="list-style-type: none"> <li>improved attitude to school or education;</li> <li>improved attendance at school;</li> <li>improved behaviour at school; and</li> <li>QCF accreditation entry level.</li> </ul> </li> <li>For participants aged 16+, outcomes were paid on the following metrics:               <ul style="list-style-type: none"> <li>improved attitude to school or education;</li> <li>first QCF level 1 qualification;</li> <li>first QCF level 2 qualification;</li> <li>entry into first employment; and</li> <li>entry into sustained employment.</li> </ul> </li> </ul> <p>Secondary outcomes were identified but not always tracked or paid on.<sup>31</sup></p>	<ul style="list-style-type: none"> <li>Similar to IF, the evaluation found evidence of 'cherry picking', where participants who were more likely to achieve outcomes may have been prioritised over those experiencing greater levels of disadvantage.</li> <li>The evaluation recommended an implementation period be used to achieve robust program processes, before outcomes are measured.</li> <li>As a program with multiple providers, YEF created opportunities for peer learning.<sup>32</sup></li> </ul>

# Europe

# Key learnings

## Europe

### **1. European programs have sought to build innovative partnerships between stakeholders in different sectors to achieve employment outcomes.**

European programs have adopted partnership models between:

- unemployed migrants and older workers volunteering as mentors;
- funders, businesses, social enterprises, and service providers using a 'place first, then train' model, offering immediate work-experience.

These partnerships are based on the mutual or multilateral benefits that stakeholders derive from the program. In some instances, leveraging partnerships helped to reduce the cost-per-participant, such as where volunteers were engaged, or businesses benefitted from engaging new employees.

'First place, then train' approaches were commonly used, with subsidies provided to employers for productivity gaps and additional training resources (Workplace Rotterdam South). Other models focused on delivering training that supports on-the-job experience (Caritas Perspective, Koto SIB). While these programs generally serviced fewer participants, they achieved meaningful outcomes for a large share of participants (often over 50%).

### **2. Several programs focused on addressing entry barriers in the labour market, rather than improving the employability of a target cohort.**

For example, the Duo for a Job program noted that the hurdles young migrants face are a 'lack of social capital', as opposed to a lack of skills or motivation. Similarly, the IOD aims to reduce stigma and bias in the hiring process, with the service provider matching participants directly with available jobs.

### **3. Some of the European programs have paid directly on government savings realised when a participant gains and sustains a job.**

Some of the European programs tied outcome payments directly to the savings that were realised for the program's funder; specifically, the government and municipalities who hold responsibility for unemployment benefits. For example, the Koto SIB used a randomised control trial to measure and pay on the savings generated by the program's intervention group relative to a control group. The savings generated were derived from a reduction in unemployment benefits, as well as increase in tax revenue.

### **4. Some programs used outcome metrics that seek to recognise when a participant is on the path to sustained employment.**

Several of the outcome metrics sought to recognise instances when a participant was on a path to sustained employment. This included rewarding providers when participants received long-term or permanent employment contracts – addressing the labour market trends of unemployment and casualisation for the target cohort.

# Employment SIs – Europe

Program	Description	Structure / Financial terms	Outcomes paid on	Key insights
<b>Duo for a Job</b>  Belgium 2014-2017 (now expanded)  <b>€234k</b>	<ul style="list-style-type: none"> <li>Duo for a Job paired young unemployed migrants (aged 18-30) with local (pre-senior) retirees, providing mentorship and guidance over 6 months to achieve employment.</li> <li>Other objectives include creating social ties and solidarity, encouraging intergenerational and cultural exchange, and supporting active aging in mentors.</li> </ul>	<ul style="list-style-type: none"> <li>Investors received payments based on a proportion of the projected government savings generated by placing each participant in employment.</li> <li>The initial target was securing a job for 35% of the 180 immigrants selected to participate in the program.</li> <li>Employment results were compared to a control group of job seekers with similar characteristics.</li> <li>If the improvement in the employment rate was between 0% and 10%, payments were made that represent between 0% to 100% of the principal investment.</li> <li>If the improvement in the employment rate was greater than 10%, additional payments were made up to a maximum return on investment of 7%.<sup>33</sup></li> </ul>	<ul style="list-style-type: none"> <li>The outcome metric was based on an increase in the employment rate for the intervention cohort.</li> </ul>	<ul style="list-style-type: none"> <li>Relying on the partnership and voluntary efforts of mentors, the program had a low cost per participant.</li> <li>Initially running as a trial of 180 people, the program was expanded, supporting 750 young people.</li> <li>It subsequently launched in France, with 4,250 duos altogether, under 1,566 mentors.</li> <li>The evaluation surveys found additional positive results which may help migrants' employment prospects, including participants reporting they felt: better-informed, confident and independent.<sup>34</sup></li> <li>The program approach emphasised that a "lack of social capital, rather than a lack of skill or motivation" is a root cause of unemployment among migrants.<sup>35</sup></li> </ul>
<b>Workplace Rotterdam South</b>  Netherlands 2015-2020  <b>€3m</b>	<ul style="list-style-type: none"> <li>A 'first place, then train' initiative.</li> <li>Service providers recruited Jobseekers aged 17-27, providing wraparound services, mentorship, referral to schooling and direct vocational experiences.</li> <li>Suitable candidates were offered positions with a range of private companies in the shared workspace.</li> </ul>	<ul style="list-style-type: none"> <li>Wage subsidies were paid to employers to support workers' initially limited productivity, while gaining work experience and mentorship from senior employees.</li> <li>Outcome payments were based on the reduction in welfare costs realised through the reduction in the number of people seeking income support.</li> <li>Maximum investor return was 12%.</li> </ul>	<ul style="list-style-type: none"> <li>The outcome metric was based on the median reduction of welfare payments for the 160 participants.<sup>36</sup></li> </ul>	<ul style="list-style-type: none"> <li>Through a direct collaborative partnership with businesses, participants up-skilled and took on training responsibilities in the workplace. This is opposed to a model which relies on external labour market conditions and participants navigating the job application process.</li> <li>The program employed a statistical model to predict the expected length of time a participant would be unemployed for (a counterfactual), which was used to calculate the impact of the reduced welfare payments achieved by the program.</li> <li>This model was also used at the referral stage to prevent the selection of participants who would have found a job without the intervention.<sup>37</sup></li> </ul>

# Employment SIs – Europe

Program	Description	Structure	Outcomes paid on	Key insights
<b>Intervention on Supply and Demand (IOD)</b>  Belgium 2018-2023  <b>€2.2m</b>	<ul style="list-style-type: none"> <li>Supports jobseekers with low levels of education and the long-term unemployed.</li> <li>A partnership between the provider and SMEs aims to reduce discrimination or bias in the hiring process by 'banning' CVs. The provider instead acts as an intermediary in the hiring process, directly placing jobseekers and providing follow-up support once a placement has occurred.</li> </ul>	<ul style="list-style-type: none"> <li>Aims to place 510 jobseekers in employment, out of a total intervention group of 750 participants.</li> <li>Success is defined based on a comparison between the intervention group and a control group.</li> <li>Expected investor return is 7.5%.</li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments are based on the number of contracts signed for at least a period of 90 days within one year of the participant's entry to the program.</li> <li>There is an additional outcome measure based on employment contracts signed with no end date. It is unclear if this outcome metric is simply measured to gauge long-term employment, or is paid on.<sup>38</sup></li> </ul>	<ul style="list-style-type: none"> <li>By addressing stigma and bias in the hiring process, IOD is primarily focused on the labour market barriers, rather than boosting jobseeker qualifications and skills.</li> <li>A proof of concept was initially demonstrated with a pilot in 2015, where 47% of enrolled participants signed a long term employment contract (versus 19% success in the control group). The success led to a broader rollout in 2018.</li> <li>The intervention was found to be cost efficient, achieving the outcomes with a relatively small team.<sup>39</sup></li> </ul>
<b>Caritas Perspective</b>  Switzerland 2015-2020  <b>2.7m CHF</b>	<ul style="list-style-type: none"> <li>The pilot targeted 120 refugees or migrants not in employment.</li> <li>A 'first place, then train' approach was used to directly place participants into employment. Participants were also supported to plan employment goals and address any challenges they faced performing work requirements.</li> <li>Upon assessment, less-skilled participants were diverted to training.</li> </ul>	<ul style="list-style-type: none"> <li>Scenarios based on an expected 20-30% employment target and 15% baseline.</li> <li>For providers:               <ul style="list-style-type: none"> <li>If the target is exceeded by 5-40%, they are entitled to a bonus of up to 1.5% of program costs.</li> <li>If there is a 5-40% target shortfall, they are penalised 1.5% of costs.</li> </ul> </li> <li>For investors:               <ul style="list-style-type: none"> <li>If the target reached or exceeded (40%+), they are paid back their principal plus 0.25-1% p.a.</li> <li>If the target is not reached, investors receive no interest. Poor performance (-40%) will lead to ~5.0% capital loss.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Outcome payments were based on the following metrics:               <ul style="list-style-type: none"> <li>number of participants employed on a permanent contract basis at 'industry standard conditions'; and</li> <li>number of participants who have completed vocational training at level 2 (equivalent to secondary schooling).<sup>40</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The targets vary based on participants' qualifications. The target for participants with higher qualifications was achieving fixed employment of at least 50% FTE hours for 50% of the participants. For participants with lower qualifications, the expected rate of achievement was 30% of participants at 50% FTE hours.<sup>41</sup></li> </ul>

# Employment SIBs – Europe

Program	Description	Structure	Outcomes paid on	Key insights
<p><b>Colour Kitchen SIB</b></p> <p>Netherlands 2015-2017</p> <p><b>€734k</b></p>	<ul style="list-style-type: none"> <li>The program provided 252 adults (17-35 years old) who have been unemployed for 6-24 months, with combined training and work experience. The aim was to provide support towards achieving a diploma and a job.</li> <li>Colour Kitchen trained participants as chefs, hosts, and catering assistants, helping them to find employment in hospitality.</li> </ul>	<ul style="list-style-type: none"> <li>The program's budget roughly correlated to the expected welfare savings to the Municipality of Utrecht (€800,000).</li> <li>Depending on the performance, an annualised rate of return of 2-6% was paid to investors.</li> <li>The SIB had no intermediary governing the flow of funds.</li> </ul>	<ul style="list-style-type: none"> <li>Outcomes were paid on the following metrics: <ul style="list-style-type: none"> <li>the number of people that achieved a diploma at the Dutch level of MBO 2 (target 70%).</li> <li>the number of people that found a job of at least six months duration for 24 hours a week or more (target 50%).</li> <li>the number of people that secured a long term contract after this initial six months (26%).<sup>42</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The program was delivered by a social enterprise chain of restaurants.</li> <li>The payment outcome of participants signing a long-term contract acts as a leading indicator for sustained employment.</li> </ul>
<p><b>Kotouttamisen (Koto SIB)</b></p> <p>Finland 2017-2020 (service delivery period) 2020-2023 (monitoring period)</p> <p><b>€14.2m</b></p>	<ul style="list-style-type: none"> <li>Provided 2,500 unemployed refugees and migrants (17-63 years) with vocational training to achieve employment over three years.</li> <li>The program delivered vocational, language and skills modules at three levels. These were targeted towards areas of skills shortages (manufacturing, construction, services).</li> <li>The program placed an emphasis on rapid employment integration, through a 'first place, then train' approach.</li> </ul>	<ul style="list-style-type: none"> <li>Under the SIB structure, investors were paid 50% of any of the government savings generated by the program (based on an increase in tax revenue and a reduction in unemployment benefits).</li> <li>Under the expected performance scenario, the program is anticipated to deliver €35 - 40 million in savings over a 6-year period. This increased to around €70 million in the 'best case' scenario.<sup>43</sup></li> </ul>	<ul style="list-style-type: none"> <li>Investors were paid 50% of any government savings generated by the program. Savings were based on the following outcomes being achieved by the intervention group relative to the control group: <ul style="list-style-type: none"> <li>increased tax revenue, and</li> <li>reduced unemployment benefits.<sup>44</sup></li> </ul> </li> <li>Additionally, investors received a fixed fee of €1500 for each 70-day employment training module participants completed.</li> </ul>	<ul style="list-style-type: none"> <li>While the program ran for three years, the Koto monitors longer-term impacts for an additional three years.</li> <li>To calculate savings, verify the outcomes and determine the payments, the SIB employed a randomised control trial. Under this approach, 70% of the referrals were offered a place in the program (intervention group), and 30% were randomised into the control group.</li> <li>The program insights noted the critical importance of tailoring employment supports to the individual needs and motivations of specific groups within the target cohort. For example, younger refugees and migrants who do not have dependents may have a preference for completing education and language programs prior to employment, while older participants with children may place a greater priority on quickly gaining a job.<sup>45</sup></li> </ul>

# North America

# Key learnings

## North America

### **1. The outcomes-based programs identified were designed to test and evaluate both the effectiveness of different service delivery models and funding/investment structures.**

The programs identified in the US commonly sought to test new programs as well as funding/investment structures. For example, Veterans CARE both:

- a) drew from emerging evidence on the success of the intervention to test a new program; and
- b) sought to act as a 'demonstration project' for how a payment-by-results approach might be applied within the veterans affairs sector, which operates federally.

Similarly, Essential Skills Social Finance (ESSF) project intended to test:

- a) the viability of the payment-by-result funding structure in the skills sector; and
- b) 'what works' in supporting and achieving outcomes for the target cohort.

A range of approaches were taken to test the effectiveness of the programs funded. Larger programs like Pathways to Economic Advancement (PEA) used robust evaluation methodologies including randomised control trials, while smaller programs like ESSF relied on pre-post analysis.

### **2. In some instances, it may be appropriate or necessary to use outcome metrics that are leading indicators of the ultimate outcome goals of a program.**

While the ESSF program was focused on up-skilling and training participants, the ultimate goal and policy intent is sustained employment. The program's outcome metrics of increased literacy was chosen as an indicator of this longer-term outcome. Leading indicators could be considered when there is a practical constraint (e.g. timing) or administrative difficulties in directly measuring the desired outcome.

In the case PEA, outcomes were paid on the individual participants' increase in annual income. This outcome metric was more directly aligned to the ultimate intent of the program, to increase the wages of participants already in employment.

### **3. Consideration should be given to how historical data could be utilised to identify and, if appropriate, set targets for specific outcome metrics as well as inform risk-reward scenarios.**

Performance expectations for PEA were based on historical wage and post-secondary education data. Specifically, this data was used to structure the program's expected wage increases among the intervention cohort. Similarly, ESSF employed historical training program data to derive a probability distribution of the program outcomes/performance. This probability distribution was then used to prepare risk-reward scenarios for the SIB.

# Employment SIs - North America

Program	Description	Structure	Outcomes paid on	Key insights
<p><b>Massachusetts Pathways to Economic Advancement (PEA)</b></p> <p>USA 2016-2020</p> <p><b>USD\$15m</b></p>	<ul style="list-style-type: none"> <li>PEA provided work-oriented education and 'English for Speakers of Other Language' (ESOL) services to ~2,000 adults with low or intermediate-level skills over three years.</li> <li>The program had four streams: Rapid Employment, English for Advancement, Skills Training, and Bridges to Colleges.</li> </ul>	<ul style="list-style-type: none"> <li>Social Finance raised \$12.4m from 40 impact investors.</li> <li>If outcomes were met, the Government of Massachusetts would make up to \$15m in success payments. If no outcomes were achieved investors may face full losses.<sup>46</sup></li> <li>Jewish Vocational Service (JVS), the service provider, was paid for the services they agreed to provide as part of the project – their payments were not contingent on client outcomes, although they are held to certain enrolment requirements.</li> <li>JVS and Social Finance were both eligible for a success fee, paid only at outstanding levels of performance.</li> </ul>	<ul style="list-style-type: none"> <li>Measurable improvements in three outcome areas: <ul style="list-style-type: none"> <li>Increased earnings – using earnings data from the State;</li> <li>Successful transition to higher education; specifically, the proportion who earn 12+ college credits during the two year program. (Only for Stream 'Bridges to Colleges'); and</li> <li>Program engagement (Enrolment).<sup>47</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Historical wage and post-secondary education data were analysed to develop appropriate outcomes targets.</li> <li>The four streams targeted different segments of the ESOL population, with different intake processes and outcome goals, and a 'portfolio payment model' which diversified risk across sub-streams.</li> <li>Different evaluation methods and payment metrics were used based on the goals and intent of the program streams. The largest stream, "English for Advancement" was evaluated via a randomised controlled trial. Other streams used a baseline approach, paying on increased annualised earnings.<sup>48</sup></li> <li>A recent report (2022) on the program's performance states that the program had been successful and that JVS was awarded a new Pay-for-Performance contract for ~\$6m to continue.<sup>49</sup></li> </ul>
<p><b>Essential Skills Social Finance Pilot (ESSF)</b></p> <p>Canada 2014-2017</p> <p><b>CAD\$250k</b></p>	<ul style="list-style-type: none"> <li>Three colleges provided training to 91 unemployed, low skilled adults.</li> <li>Included literacy, numeracy, and computer training.</li> </ul>	<ul style="list-style-type: none"> <li>Three private investors provided up-front capital. They had 100% capital at risk, with the maximum return on investment of 15%.</li> <li>The payment structure consisted of a flat fee-for-service component and two performance payments.</li> <li>Fee-for-service component of \$2,000 was paid for each participant who completed the ESSF training and post-training assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Performance payments were based on gains in literacy skills: \$500 for each participant achieving a 25-point skill gain on the post-training assessment, and another \$250 for each one who maintained a 25-point score gain at the final assessment 12 months following the training completion.<sup>50</sup></li> </ul>	<ul style="list-style-type: none"> <li>The outcome metric used was based on the International Adult Literacy Survey scale.</li> <li>While increased employment was the ultimate policy goal, to fit within the project timelines, improved literacy skills (a dimension of employability) was used as an indicator of long-term positive employment outcomes.</li> <li>The evaluation notes the importance of using transparent, relevant and readily-measurable outcomes.<sup>51</sup></li> </ul>

# Employment SIs - North America

Program	Description	Structure	Outcomes paid on	Key insights
<b>Veterans CARE</b>  USA 2018-2021  <b>USD\$6m</b>	<p>The project aimed to support 480 unemployed or underemployed veterans with post-traumatic stress disorder (PTSD) in attaining competitive, compatible employment which meets veterans' needs and is fulfilling.</p>	<ul style="list-style-type: none"> <li>• Social Finance raised \$5.1m from five impact investors to fund service delivery.</li> <li>• If the highest level of outcomes was met, investors received up to \$6m in success payments. If no outcomes are achieved investors may face full losses.</li> <li>• The service provider was paid for the services it has agreed to provide as part of the project. Its payments were not contingent on outcomes, although it will be held to certain program quality and enrolment requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• The project measured four outcomes:               <ul style="list-style-type: none"> <li>• Earnings;</li> <li>• Sustained competitive, employment;</li> <li>• Fidelity to the individual placement support (IPS) model;</li> <li>• Job satisfaction.<sup>52</sup></li> </ul> </li> <li>• It is unclear if all outcomes are paid on.</li> </ul>	<ul style="list-style-type: none"> <li>• The program's 'Individual placement support' intervention came from emerging research suggesting it was twice as effective at placing veterans suffering from PTSD.<sup>53</sup></li> <li>• One of the project goals was to serve as a demonstration project for the use of the Pay-for-Success model within the U.S. Department of Veterans Affairs.<sup>54</sup></li> <li>• Service delivery under the Veterans CARE Pay-for-Success Project ended in September 2021, with 322 veterans supported over 3 years. Following sustained, strong veteran employment outcomes, the Commonwealth of Massachusetts provided additional funding to extend IPS service delivery at its sites beginning in October 2021.<sup>55</sup></li> </ul>

# Bibliography

1. Australian National Audit Office, 2017. Jobactive: Design and Monitoring. [online]. Available at: <<https://www.anao.gov.au/work/performance-audit/jobactive-design-and-monitoring/>> [Accessed 10 February 2022].
2. Jobs Victoria, 2021. Jobs Victoria Employment Services, Funding Guidelines January 2021. [online] Jobs. <[https://jobs.vic.gov.au/\\_\\_data/assets/pdf\\_file/0005/490865/Jobs-Victoria-Employment-Services-Funding-Guidelines-Jan-2021.pdf](https://jobs.vic.gov.au/__data/assets/pdf_file/0005/490865/Jobs-Victoria-Employment-Services-Funding-Guidelines-Jan-2021.pdf)> [Accessed 10 February 2022].
3. Jobs Victoria, 2016. Jobs Victoria Employment Network Program Guidelines. [online] Parliament of Victoria. Available at: <[https://www.parliament.vic.gov.au/images/stories/committees/paec/2016-17\\_Budget\\_Estimates/Presentations/Employment\\_Handout\\_\\_2\\_JVEN\\_Program\\_Guidelines.pdf](https://www.parliament.vic.gov.au/images/stories/committees/paec/2016-17_Budget_Estimates/Presentations/Employment_Handout__2_JVEN_Program_Guidelines.pdf)> [Accessed 10 February 2022].
4. Staines, Z., 2018. Lessons from the recent policy experience in the Indigenous community-employment sector. [PDF] Australian Journal of Labour Economics 20 (3), pp.229-248. Available at: <<https://resources.curtin.edu.au/file/faculty/fbl/AJLE-v20n3-Staines.pdf>> [Accessed 10 February 2022].
5. Considine, M., McGann, M., O'Sullivan, S., Nguyen, P., and Lewis, J.M, 2018. Improving outcomes for disadvantaged jobseekers: The next generation of employment services – response to discussion paper. [PDF] Policy Lab, The University of Melbourne. Available at: <[https://arts.unimelb.edu.au/\\_\\_data/assets/pdf\\_file/0008/2947382/Improving-Outcomes-for-Disadvantaged-Jobseekers-2018.pdf](https://arts.unimelb.edu.au/__data/assets/pdf_file/0008/2947382/Improving-Outcomes-for-Disadvantaged-Jobseekers-2018.pdf)> [Accessed 10 February 2022]
6. Australian National Audit Office, 2017. Jobactive: Design and Monitoring. [online]. Available at: <<https://www.anao.gov.au/work/performance-audit/jobactive-design-and-monitoring/>> [Accessed 10 February 2022].
7. Department of Education, Skills and Employment, 2021. Wage subsidies fact sheet. [online] Available at: <<https://www.dese.gov.au/wage-subsidies/resources/wage-subsidies-fact-sheet/>> [Accessed 10 February 2022].
8. Employment Services Expert Advisory Panel. 2020. I want to work: Employment services 2020 report. [PDF] Government of Australia. Available at <<https://apo.org.au/node/210776>> [Accessed 7 April 2020].
9. Davidson, 2014. Long term unemployment: the 'achilles heel' of the Job Services Australia Model. [online]. Available at: <[https://www.researchgate.net/publication/271966636\\_Long\\_term\\_unemployment\\_the\\_'achilles\\_heel'\\_of\\_the\\_Job\\_Services\\_Australia\\_model/](https://www.researchgate.net/publication/271966636_Long_term_unemployment_the_'achilles_heel'_of_the_Job_Services_Australia_model/)> [Accessed 10 February 2022].
10. Considine, M., McGann, M., O'Sullivan, S., Nguyen, P., and Lewis, J.M, 2018, Improving outcomes for disadvantaged jobseekers.
11. O'Sullivan, S., Considine, M., and McGann, M, 2021. Australia's 'underclass' don't like work? Our research shows vulnerable job seekers don't get the help they need. [online] The Conversation. Available at: <<https://theconversation.com/australias-underclass-dont-like-work-our-research-shows-vulnerable-job-seekers-dont-get-the-help-they-need-169609/>> [Accessed 10 February 2022].
12. O'Sullivan, S., McGann, M., and Considine, M, 2019. Contracting Employment Services by Results: Performance Targets, Differential Payments and Category Games. [online] The Social Policy Blog. Available at: <<https://socialpolicyblog.com/2019/08/05/contracting-employment-services-by-results-performance-targets-differential-payments-and-category-games/>> [Accessed 10 February 2022].
13. Department of Education, Skills and Employment, 2021. Enhanced Services – Payments. [PDF] DESE. Available at: <<https://www.dese.gov.au/download/11385/nesm-enhanced-services-payments/21858/nesm-enhanced-services-payments/pdf/>> [Accessed 10 February 2022].
14. Department of Education, Skills and Employment, 2021, p.11. Transition to Work Consultation Paper. [PDF] Available online: <<https://www.dese.gov.au/download/11604/transition-work-consultation-paper/22185/document/pdf>> [Accessed 10 February 2022].
15. Ibid.
16. Australian National Audit Office, 2020. Management of Agreements for Disability Employment Services. [online] Available at: <<https://www.anao.gov.au/work/performance-audit/management-contracts-disability-employment-services/>> [Accessed 10 February 2022].
17. Loosemore, M., 2021. The problem with employment services. [online] University of Technology, Sydney. Available at: <<https://www.uts.edu.au/news/tech-design/problem-employment-services/>> [Accessed 10 February 2022].
18. Boston Consulting Group, 2020. Mid-term Review of the Disability Employment Services (DES) Program. [PDF] Department of Social Services. Available at: <[https://www.dss.gov.au/sites/default/files/documents/05\\_2021/des-mid-term-review-august-2020-v2.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2021/des-mid-term-review-august-2020-v2.pdf)> [Accessed 10 February 2022].
19. Training NSW, 2018. Smart, skill and hired: Youth Employment Program. [PDF] NSW Government. Available at: <[https://www.training.nsw.gov.au/forms\\_documents/programs\\_services/ssah/youth\\_employment\\_program\\_fact\\_sheet.pdf](https://www.training.nsw.gov.au/forms_documents/programs_services/ssah/youth_employment_program_fact_sheet.pdf)> [Accessed 10 February 2022].
20. Urbis, 2021. Youth Employment Innovation Challenge (YEIC) Review. [Unpublished PDF] NSW Department of Education.
21. Return to Work SA, 2021. Return to Work Services fee schedule. [DOC] RTWSA. Available at: <<https://www.rtsa.com/media/documents/fee-schedules/Return-to-work-services-fee-schedule.DOCX/>> [Accessed 10 February 2022].
22. Ibid.
23. Jobs Victoria, 2021, p.12. Jobs Victoria Employment Services, Funding Guidelines January 2021. [online] Jobs. <[https://jobs.vic.gov.au/\\_\\_data/assets/pdf\\_file/0005/490865/Jobs-Victoria-Employment-Services-Funding-Guidelines-Jan-2021.pdf](https://jobs.vic.gov.au/__data/assets/pdf_file/0005/490865/Jobs-Victoria-Employment-Services-Funding-Guidelines-Jan-2021.pdf)> [Accessed 10 February 2022].
24. Ibid.
25. Ibid.

26. Ronicle, J., and Smith, K., 2020. Youth Engagement Fund Evaluation. [PDF] ECORYS. Available at: <[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/886650/YEF\\_Evaluation\\_Report\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/886650/YEF_Evaluation_Report_.pdf)> [Accessed 10 February 2022].
27. Ibid.
28. Ibid.
29. HM Government, n.d. Innovation Fund, Key facts. [PDF]. Available at: <[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/212328/hmg\\_g8\\_factsheet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212328/hmg_g8_factsheet.pdf)> [Accessed 10 February 2022].
30. QSR Government Social Research, 2018. Evaluation of the Innovation Fund pilot Quantitative assessment of impact and social return on investment. [PDF] Department for Works & Pensions. Available at: <[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/737021/evaluation-of-the-innovation-fund-pilot-quantitative-assessment-of-impact-and-social-return-on-investment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/737021/evaluation-of-the-innovation-fund-pilot-quantitative-assessment-of-impact-and-social-return-on-investment.pdf)> [Accessed 10 February 2022].
31. Ronicle, J., and Smith, K., 2020, Youth Engagement Fund Evaluation.
32. Ibid.
33. European Commission, n.d. Mentoring Project - DUO for a Job. [online] European Website on Integration. Available at: <[https://ec.europa.eu/migrant-integration/integration-practice/mentoring-project-duo-job\\_en/](https://ec.europa.eu/migrant-integration/integration-practice/mentoring-project-duo-job_en/)> [Accessed 10 February 2022].
34. Finance for Integration, n.d. Pay-for-performance. [online] Finance for Integration. Available at: <<https://financeforintegration.com/pay-for-success/>> [Accessed 10 February 2022].
35. Ibid.
36. Guay, G., 2017. Rotterdam gets young people off benefits with social impact bond. [online] Apolitical. Available at: <<https://apolitical.co/solution-articles/en/rotterdam-gets-young-people-off-benefits-social-impact-bond/>> [Accessed 10 February 2022].
37. Government Outcomes Lab, n.d. IOD - Interventions sur les Offres et les Demandes (Intervention on supply and demand). [online] Available at: <<https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0222/>> [Accessed 10 February 2022].
38. KOIS Invest, 2018. Actiris IOD: Recruitment without discrimination to help low-skilled long-term unemployed people find stable jobs. [online] Available at: <<https://koisinvest.com/project/helping-low-skilled-long-term-unemployed-people-find-stable-jobs/>> [Accessed 10 February 2022].
39. Finance for Integration, n.d. Pay-for-performance.
40. Government Outcomes Lab, n.d. Caritas Perspektive (Caritas Perspective). [online] Available at: <<https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0078/>> [Accessed 10 February 2022].
41. Finance for Integration, n.d. Pay-for-performance.
42. Government Outcomes Lab, n.d. The Colour Kitchen. [online] Available at: <<https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/project-database/colour-kitchen/>> [Accessed 10 February 2022].
43. Government Outcomes Lab, n.d. Kotouttamisen (KOTO) Social Impact Bond. [online] Available at: <<https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/kotouttamisen-koto-social-impact-bond/>> [Accessed 10 February 2022].
44. Ibid.
45. Ibid.
46. Mission Investors, n.d. Massachusetts Pathways to Economic Advancement Pay for Success Project FACT SHEET. [online] Available at: <[https://missioninvestors.org/sites/default/files/resources/MAPathways\\_FactSheet.pdf/](https://missioninvestors.org/sites/default/files/resources/MAPathways_FactSheet.pdf/)> [Accessed 10 February 2022].
47. Harvard Kennedy School, n.d. Massachusetts Pathways to Economic Advancement Pay for Success. [online] Available at: <<https://govlab.hks.harvard.edu/massachusetts-pathways-economic-advancement-pay-success/>> [Accessed 10 February 2022].
48. Batalova, J., 2022. Pathways to Economic Advancement, Commonwealth of Massachusetts: Innovations in American Government Award Case Study. [PDF] Harvard Kennedy School Ash Center for Democratic Governance and Innovation. Available at: <[https://ash.harvard.edu/files/ash/files/pathways\\_to\\_economic\\_advancement\\_iag\\_case\\_study.pdf?m=1641570673](https://ash.harvard.edu/files/ash/files/pathways_to_economic_advancement_iag_case_study.pdf?m=1641570673)> [Accessed 23 May 2022].
49. Ibid.
50. Brennan, K., Carriere, B., Currie, S., Hui, S., and Palameta, B., 2017. Social Finance pilot projects: Interim report. [PDF] Social Research Demonstration Corporation. Available at: <<https://citizenfirst.ca/assets/uploads/research-repository/SRDC-SocialFinancePilotProjectsInterim.pdf>> [Accessed 10 February 2022].
51. Ibid.
52. Social Finance, n.d. Veterans Coordinated Approach to Recovery and Employment (Veterans CARE) Pay for Success Project FACT SHEET. [online] Available at: <[https://socialfinance.org/wp-content/uploads/Veterans-CARE\\_FactSheet.pdf/](https://socialfinance.org/wp-content/uploads/Veterans-CARE_FactSheet.pdf/)> [Accessed 10 February 2022].
53. Farmer, L., 2018. First 'Pay for Success' Project for Veterans Underway. [online] Governing. Available at: <<https://www.governing.com/archive/gov-governments-veterans-ptsd-pay-for-success.html/>> [Accessed 10 February 2022].
54. Social Finance, n.d. Veterans CARE. [online] Available at: <<https://socialfinance.org/project/veterans-care/>> [Accessed 10 February 2022].
55. Ibid.

