



Report

Date: 14 February 2022

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

2019/20 Employment Assistance Effectiveness Report Findings and the release of the Employment Assistance Evidence Catalogue

Purpose of the report

1. To advise you on the key 2019/2020 Employment Assistance Effectiveness Report findings ahead of the report's publication. This report summarises our evidence about the effectiveness of MSD's programmes, services and policies designed to help people prepare, find, and maintain employment.
2. To provide an update on the development and release approach of MSD's digital Employment Assistance Evidence Catalogue (formerly referred to as the Employment Assistance Application).

Recommended actions

It is recommended that you:

1. **Note** that in 2019/2020, the amount spent on Employment Assistance (EA) interventions rated as effective or promising made up the largest proportion of the evaluated spend at \$172.2 million out of \$218.5 million.
2. **Note** that we intend to publish both the EA Effectiveness Report and the Employment Assistance (EA) Evidence Catalogue within the next month.
3. **Agree to forward** the attached reports to Ministers Hon Grant Robertson, Minister of Finance, Hon Peeni Henare, Minister of Defence and the Employment Education and Training Ministers for their information prior to the publication of the EA Effectiveness Report and Catalogue release.

Rob Hodgson
Group General Manager, Insights MSD

agree / disagree

14/2/22
Date:

Hon Carmel Sepuloni
Minister for Social Development and
Employment

27/2/22
Date:

Background

3. Under the Public Finance Act, government departments report on the effectiveness and efficiency of their appropriations.¹ The annual EA cost effectiveness report is a vehicle through which we meet this requirement for expenditure on MSD programmes, services and policies designed to help people prepare, find, and maintain employment. The analysis informs MSD's annual performance indicator: the percentage of Multi-Category Appropriation (MCA) spend on employment assistance that is rated as effective.²
4. MSD's EA cost effectiveness methodology helps the Ministry understand what employment interventions are working for whom, and how effectiveness is changing over time against key outcomes such as time in employment, income, welfare, and secondary outcomes such as education attainment and justice. These insights inform MSD's investment strategies and regular adjustments to how we deliver interventions to help strengthen or maintain the outcomes of our employment spend.
5. The findings from this work are summarised in EA Effectiveness reports, with the most recent two reports (2016, 2019) being published on the MSD website.
6. The current report updates this series to the end of 2019/2020. Our most recent effectiveness data is based on those who participated in 2018 or earlier, due to the lag between when a programme is implemented and when it can be evaluated.
7. We have developed a web-based EA Evidence Catalogue (the Catalogue) to support increased engagement and navigation across the wealth of EA effectiveness information available and to support public transparency and accountability in MSD's work.
8. We demonstrated the prototype to you in mid-2018 at the Strategic Priorities meeting and in late 2018, you and the MSD leadership team reviewed the prototype Catalogue before its internal release and endorsed the development of a publicly available Catalogue. A brief demonstration of how the Catalogue would work was given to staff at your office in 2019, and again in November 2021.
9. The initial launch of the publicly available Catalogue was postponed from 2019 to accommodate necessary technical changes and free up capacity for the COVID-19 response.

Employment Assistance Effectiveness Report Findings 2019/20

10. The EA Effectiveness Report and supporting technical analyses provides an overview of how MSD's employment interventions are rated in terms of their overall effectiveness at improving outcomes for New Zealanders.
11. The EA Evidence Catalogue supports increased engagement with the detailed information underpinning the ratings and supports exploration of what interventions are working for whom, on what domains and how is that changing over time.
12. In the 2019/2020 financial year, we estimate that MSD spent a total of \$435.5 million³ on EA interventions. This was a decrease of \$32.3 million from the previous

¹ PFA (2013) Section 34, 2b: The chief executive of a department that administers an appropriation — is responsible for advising the appropriation Minister on the efficiency and effectiveness of any departmental expenses or departmental capital expenditure under that appropriation.

² Note that the EA effectiveness annual report and EA Evidence Catalogue include interventions funded outside of the Improved Employment and Social Outcomes Support MCA and for this reason the results will differ between the two.

³ Expenditure is expressed in nominal dollars (i.e., not CPI-adjusted) and includes indirect costs. Appendix 2 summarises how we calculated the cost of EA interventions.

financial year (\$467.8 million spend), due in part to the COVID Covid-19 alert level restrictions in the last quarter of 2019/2020.

13. In 2019/2020 we could rate the effectiveness⁴ of \$218.5 million (50.2% of total expenditure).⁵ The remaining expenditure could not be evaluated because:
 - it was not technically feasible (\$193.7 million)⁶
 - it was too soon to report (\$6.9 million)
 - the analysis has not been undertaken yet (\$16.4 million).
14. The majority of not rated expenditure was on childcare assistance which includes Childcare Subsidy (\$145.3 million) and OSCAR provider assistance grants (\$21 million).
15. The methodology is updated periodically to improve and increase the accuracy of our impact measurement. As a result, the published reports are not directly comparable between years.
16. During the next methodology update, MSD will be reviewing the weighting given to the different outcome domains and how an overall rating is calculated. This will include reviewing the relative weighting education receives as a secondary outcome in effectiveness scoring.
17. The majority of not rated expenditure was on childcare assistance which includes Childcare Subsidy (\$145.3 million) and OSCAR provider assistance grants (\$21 million).

Of rated EA interventions, 78.8% of expenditure went on interventions characterised as promising or effective

18. In 2019/2020, the report found the amount spent on EA interventions rated as effective or promising made up the largest proportion of the evaluated spend at \$172.2 million out of \$218.5 million.⁷ The remaining spend was rated as:
 - \$9.5 million (4.4%) on interventions that had mixed effects
 - \$19.2 million (8.8%) that made no difference
 - \$17.5 million (8%) that had likely negative and negative impacts.

Interventions of interest

19. Youth Service (NEET) (\$15.4 million) is the main intervention in the negative effectiveness category, because participants had lower attainment of qualifications and were projected to have reduced time in employment and lower income, relative to the comparison group.
20. The effectiveness findings have helped to inform changes to the programme including scaling down the size and the redesign of aspects of the service to improve its performance. These changes were implemented at the start of 2020 and it is too soon to assess their impact on the performance of the service.
21. Flexi-Wage Self-Employment (\$2.1 million) received a negative rating because participants were found to have reduced total reported and visible income relative the participants in the comparison group.

⁴ Currently, effective means the interventions have made significantly positive difference to at least one of the five outcome domains and had no negative impacts.

⁵ In this report, we round expenditure values to the nearest million for values over 10 million and to the nearest \$100,000 for values under 10 million dollars.

⁶ This means it is not feasible to identify a robust comparison group from which to determine what difference the intervention has made to participants' outcomes.

⁷ The EA report uses data from June 2021 and includes initiatives funded via the MCA and BoRE.

22. MSD is using these insights to inform the Flexi-wage expansion, undertaking pilots to test the right mix of pastoral care, mentoring, and business support needed to help people start their own business. These pilots will focus on helping Māori and Pacific peoples in particular.
23. Limited Services Volunteer (LSV) (\$9.5 million) has continued to show strong positive impacts on income and employment outcomes over the past four years. The intervention received a mixed effectiveness overall rating because of its influence on reducing net qualifications achieved by participants compared to the comparison group.
24. We will be continuing to monitor these interventions to assess whether their performance improves following the changes made.

Policy and delivery implications

25. The results of the EA effectiveness analysis help to highlight areas for focus and attention. MSD policy and service delivery draw on the analysis alongside other data, policy, and operational responses, to inform decisions on design and funding of employment programmes and services.
26. A recent example is the Training Incentive Allowance (TIA). Observed declines in effectiveness in recent years across income and employment outcomes informed changes during 2021 to increase eligibility that we project will see a significant improvement in take up and effectiveness.
27. The findings from the EA effectiveness analysis are an important input into the Employment Investment Strategy and the EET Ministers' review of Active Labour Market Policies.
28. The New Zealand Defence Force (NZDF) has an interest in the findings for the Limited Services Volunteer (LSV) programme. Officials from both the NZDF and The Treasury have had the opportunity to comment on the final version of the 2019/2020 EA Effectiveness Report.
- 29.

Table 1: EA interventions by effectiveness rating in 2019/2020

30. shows effectiveness ratings for specific EA interventions funded in the 2019/2020 financial year.

Table 1: EA interventions by effectiveness rating in 2019/2020

Effective/Promising

EFFECTIVE (\$96.9m)

Employment Participation and Inclusion services (\$29.6m)
 Employment Placement or Assistance Initiative (\$24.5m)
 Vacancy Placement Full time (\$16.3m)
 Jobseeker Support Work Ready 52-week benefit reapplication (\$8.3m)
 Job Search Initiatives (\$7.3m)
 Training for Work (\$5.3m)
 Vacancy Placement Part time (\$2.7m)
 Training Incentive Allowance (\$1.2m)
 Work Confidence (\$1m)
 WRK4U (\$0.5m)
 Sole Parent Support Study Assistance (\$0.1m)

PROMISING (\$75.3m)

Skills for Industry (\$40.1m)
 Flexi-wage (\$24.6m)
 Youth Service (YP) (\$9.3m)
 Work to Wellness (\$1.4m)

Mixed/No difference/Negative

MIXED (\$9.5m)

Limited Services Volunteer (\$9.5m)

NO DIFFERENCE (\$19.2m)

Youth Service (YPP) (\$6.3m)
 New Initiative (\$5.8m)
 Course Participation Assistance (\$3.1m)
 Work Preparation Services (\$1.6m)
 Activity in the Community (\$1m)
 In-Work Support (IWS) trial (\$0.4m)
 Work Ability Assessment (\$0.3m)
 Be Your Own Boss (\$0.3m)
 Health Interventions (\$0.3m)
 Business Training And Advice Grant (\$0.2m)

NEGATIVE (\$17.5m)

Youth Service (NEET) (\$15.4m)
 Flexi-Wage Self-Employment (\$2.1m)

Table 1: EA interventions by effectiveness rating in 2019/2020

Effective/Promising

Mixed/No difference/Negative

- a. Values are nominal (not CPI-adjusted)
- b. Interventions with less than \$100,000 of expenditure in the financial year are suppressed.
- c. These results cover all EA interventions irrespective of funding source, for this reason, the expenditure reported here is higher than reported in MSD's annual report EA effectiveness performance measure that covers interventions funded through the Improved Employment and Social Outcomes Support MCA.

Source: Ministry of Social Development & Statistics New Zealand Integrated Data Infrastructure, June 2021.

Impact of COVID-19

31. The COVID-19 alert level restrictions affected the results for 2019/2020 report in the following ways:
 - the Covid-19 alert level restrictions reduced spending on EA interventions in the last quarter of 2019/2020
 - the Covid-19 alert level restrictions delayed the implementation of new initiatives as well as the evaluation of new interventions, such as Mana in Mahi and Oranga Mahi
 - there have been delays to a number of evaluations because of Covid-19 alert level restrictions
 - we have excluded the COVID Wage Subsidy Scheme from the analysis because of its size (over \$14 billion) and one-off nature. A separate evaluation of the wage subsidy is underway.

EA Evidence Catalogue

32. The EA Evidence Catalogue enables MSD staff to quickly access and navigate the current evidence base on two decades of data and evidence on EA interventions to support decisions about their design and operation.
33. The release of this product is an important part of MSD's efforts towards greater transparency and information sharing (like our weekly publication of Benefit and wage subsidy data we have been releasing since COVID) and will be a first in allowing public engagement with this type of content in a dynamic and interactive way
34. The Catalogue allows the public to navigate and engage with the data and findings including:
 - **Description and timeline:** the type, scale, and status of each intervention as well as a description of its key features and a timeline of changes to its design or eligibility criteria.
 - **Cost and participants:** trend on overall expenditure and average cost per start as well as the profile of who participates in each intervention by financial year.
 - **Effectiveness:** where possible, we provide estimates of the impact of individual interventions on one or more outcome domains. These domains currently include income, employment, justice, education, and income support assistance.
 - **Reports:** references to publicly available research and evaluation reports on each EA intervention.
35. We are currently undertaking further analysis of the effectiveness data by duration on benefit to inform further advice.
36. Currently, the Catalogue has over 300 references related to interventions covering intervention evidence, policy, Ministerial and Cabinet papers as well as MSD Research and Evaluation reports. Recent reports are already available on the

Ministry's existing Research archive⁸, for unpublished historical reports, people can request them from the Ministry.

Release of the EA Catalogue - risk assessments

37. By making information available on a wide range of MSD's EA interventions, we have identified key areas of potential risk and have put in place mitigations to these.

Differences in information released between model updates

38. Differences in our key figures about effectiveness are usually the result of adjustments made to our modelling.
39. Expenditure data for both the EA Effectiveness Reports and the Catalogue comes from the individual Cost Allocation Model (iCAM) which is maintained by Strategy and Insights for evaluative purposes.
40. The iCAM estimates actual expenditure on programmes and services at the level of individual clients and includes both direct and indirect costs. Direct costs include costs such as subsidy and contract payments, as well as the cost of front-line staff in running these programmes, while the indirect costs include property, ICT, corporate and support staff. MSD regularly updates the iCAM model to reflect actual expenditure, changes to programme classification, and modelling improvements.
41. For example, Māori Trades and Training Fund and He Poutama Rangatahi were recently transferred from MBIE to MSD. For this reason, the costs of individual interventions may change between updates to the model.

Numerical data (cost and participation trends)

42. The numerical data presented in the Catalogue has been reviewed by relevant subject matter experts in the Ministry. Information on cost and participation information is embargoed for the most recent financial year until six months after the year's end (e.g., 2020/2021 results will become available after January 2022). This provides an opportunity for errors to be identified and resolved prior to release.
43. We have a tracking system that identifies any specific issues with cost or participation data for a particular intervention to ensure data integrity. Where issues exist, but have not been resolved, then the affected information is temporarily suppressed from the public facing Catalogue until issues are resolved.
44. For current and recent interventions included in the Catalogue we have worked with relevant subject matter experts in the Ministry to review the descriptions, status, and timeline of key operational or policy events over the life of the intervention.
45. We will continue to update the impact analysis over time to verify whether any programme changes have improved the programme's effectiveness.

Next Steps

46. We intend to publish both the report and catalogue within the next month.
47. We will be providing communication support to the Minister's office including Question and Answers (Q&As).
48. We will also be offering a demonstration of the Catalogue and Q&A session with the Social Wellbeing Agency (SWA), Treasury, MBIE, and StatsNZ ahead of the release.

⁸ [Research archive - Ministry of Social Development \(msd.govt.nz\)](https://www.msd.govt.nz/research-archives)

Appendices

Appendix 1: Effectiveness of MSD employment assistance: Summary report for 2019/2020 financial year

Appendix 2: Effectiveness of MSD employment assistance: Technical report for 2019/2020 financial year

File ref:

REP/21/11/1282 - Publication of the Employment Assistance Effectiveness report for 2019/20 and the release of the Employment Assistance Evidence Catalogue

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