
Contracting for employment services: JobPath in context

July 2015

Introduction

The use of contracting out and other quasi-market mechanisms in the delivery of public services is now considered the norm in many developed countries, as are the principles of obligation and activation regarding social security policy.¹ Many countries have used a payment-by-results model with the for-profit and non-profit sectors for the provision of employment services in particular, including the UK, Germany, Australia and the Netherlands.

In Ireland, the 2011 Programme for Government contained a commitment to replace FÁS with a new national employment and entitlements service.² In the subsequent project plan published by the Department of Social Protection for what became Intreo, it was stated that the Department would “explore the potential to augment internal resources through the complementary outsourcing of some elements of the service (e.g. placement and employment advice services)”.³ What emerged was JobPath, a model of contracting the provision of employment services for those individuals who are long-term unemployed.

In late 2014, the tender process for JobPath was completed and two companies were selected as the preferred bidders: Turas Nua and Seetec Business Technology Company. It has been suggested that JobPath will result in the introduction of approximately 1,000 case

No liability is accepted to any person arising out of any reliance on the contents of this paper. Nothing herein constitutes professional advice of any kind. For full details of our attribution policy please go to the Library & Research Service's intranet pages. Please note as per the L&RS 2012 Statement of Service, the L&RS routinely reuses the research it has undertaken for individual Members in order to answer on-demand queries from other Members, or to provide research briefings for all Members. © Houses of the Oireachtas 2015

workers to work with long-term unemployed people.⁴ It is expected to result in a reduction of the caseworker – unemployed person ratio from 1:400 to 1:200.⁵ It is anticipated to cost a total of €338 million over the course of six years and save approximately €505 million in welfare payments.⁶

This *L&RS Note* outlines details on JobPath. It begins by charting its origins before presenting recent trends in long-term unemployment figures. The *Note* then proceeds to outline how the JobPath process will operate for those referred to it. It concludes by outlining learning emerging about the use of contracting out in the provision of employment services in other countries.

The origins of JobPath: focusing on long-term unemployment

Following the development of the Employment and Entitlement Service, *Intreo*, in 2012 the Government published its first *Pathways to Work* document.⁷ It outlined a process by which many of those who were then unemployed would be supported into employment. *Pathways* placed an emphasis on those on the live register who were long-term unemployed (unemployed for more than one year), with a goal of moving 75,000 long-term unemployed into employment by 2015. It also spoke of the Department of Social Protection (DSP) potentially “contracting with the private sector as a means of complementing its own resources” in areas such case management, employer engagement and job placement (DSP has contracted for the provision of local employment services and Jobs Clubs for some time). In particular, the document spoke of the potential appropriateness of private sector participation in the “job activation of long-term unemployed on what is known as a ‘payments by results’ basis”. The document cited the experience of similar initiatives in securing employment for unemployed persons in the UK and Australia.

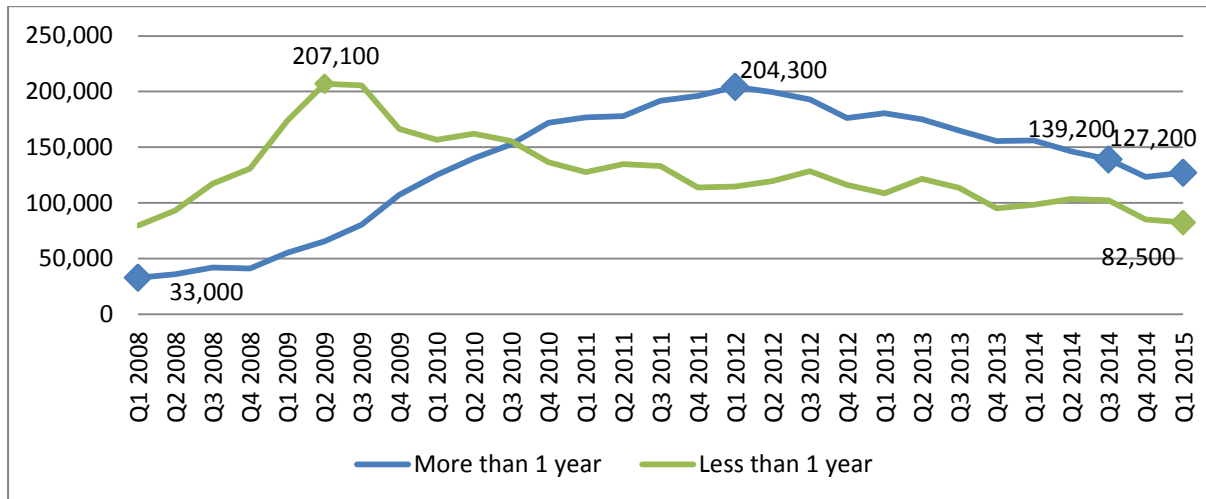
Pathways to Work 2013,⁸ which specifically focused on tackling the issue of long-term unemployment, contained a commitment to finalise the proposals to contract additional capacity for employment services for long-term unemployed people. This was followed by DSP issuing a Prior Information Notice in July 2013 declaring that it was considering contracting for employment services. Enterprise Ireland subsequently held a capacity building meeting for potential tenderers before the Department issued its Request for Tender (RfT) in December 2013 for the provision of employment services known as Jobpath.⁹

Statistics on long-term unemployment in Ireland

Although the Live Register is often cited when discussing unemployment figures in Ireland, the official measure of unemployment is the Quarterly National Household Survey. Figure

one below charts the numbers of people unemployed for one year or more since quarter one 2008 alongside figures for those unemployed one year or less. As can be seen, the number of long-term unemployed peaked at 204,300 in the first quarter of 2012 before declining to 127,200 by quarter one 2015.

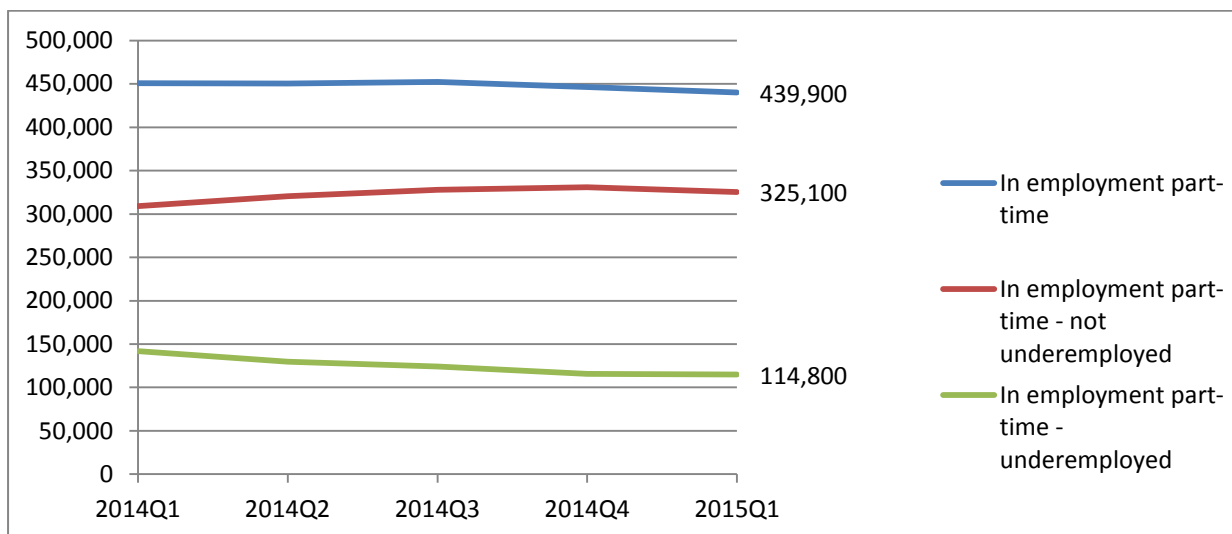
Figure 1: Unemployment figures less/more than one year, Quarter 1 2008 – Quarter 1 2015



Source: [CSO Quarterly National Household Survey database](#)

The nature of employment is also worth consideration. Figures for part-time employment for 2014 and the first quarter of 2015 are presented below. As can be seen, the level of underemployment amongst those employed part-time has declined by 19% since quarter one 2014 to 114,800 people. The majority of those in part-time unemployment are not considered to be underemployed, at just over 325,000 or 74% of all those employed part-time.

Figure 2: part-time employment figures, Quarter 1 2014 – Quarter 1 2015



Source: [CSO Quarterly National Household Survey database](#)

How will JobPath work?

The RfT provides an insight into the proposed operation of JobPath.

Who is it aimed at?

Those who are long-term unemployed and under 62 years of age will be referred to Jobpath. These will be split into a number of groups dependent on how long they have been long-term unemployed (i.e. more than one year, more than two years, more than three years). In addition, those who have been in receipt of a jobseeker-related income support for less than 12 months but who are assessed by DSP to have among the highest probability of becoming long-term unemployed will also be referred. Finally, individuals in part-time employment, seeking to secure full-time employment and in receipt of a jobseeker related income support payment for more than 12 months may also be referred to JobPath providers.

In total, it is expected that up to 440,000 people will be referred into JobPath over the 6 and half years of the contracts' duration, with an associated 115,000 entries into employment expected.¹⁰

What will be provided?

The contracted providers are expected to provide a minimum level of service (known as the Service Guarantee) to individuals referred to Jobpath, with a view to placing them in full-time employment (at least 30 hours per week). This involves a first one-to-one meeting between a personal advisor and the service user within 20 days of them being referred to JobPath, followed by the preparation of a Personal Progression Plan (PPP) within 20 days of the first meeting. The PPP must include

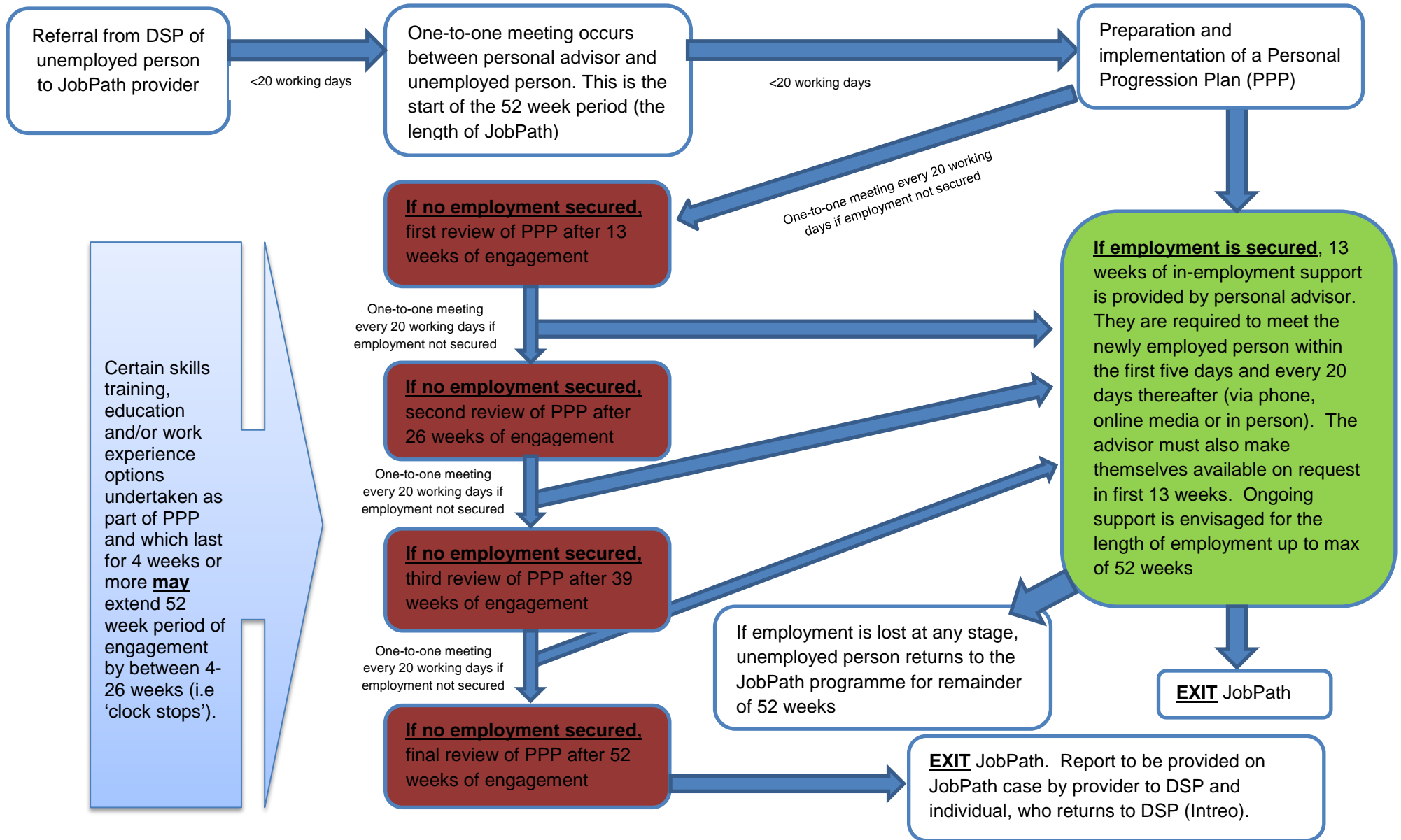
- Contact information of the service user;
- Their skills, competencies and aptitudes;
- The fields of work appropriate to them;
- The barriers to their employment and agreed actions to overcome such barriers;
- Employment goals;
- An agreed set of skills training, education and development goals and actions;
- An agreed set of employment-related experience interventions; and
- All actions to be taken by the service user in the first 13 weeks of employment if so secured.

In addition to the minimum level of support provided by the Service Guarantee, contracted providers are free to offer additional services to potential users. These include child care and transport supports. Each unemployed person must also have access to discretionary funds to meet their particular needs. The costs of the intervention are met by the service providers.

Preferred bidders are also free to contract with other organisations and companies (what is known as the supply chain) to source particular services to support them in meeting their obligations to JobPath individuals. This is in addition to the existing services such as MABS (the Money, Advice and Budgeting Service), or training programmes provided by agencies such as SOLAS, which the service providers can also utilise.¹¹

In addition to working with long-term unemployed persons, contracted providers are expected to hire approximately 10% of their staff from the Live Register – a [social clause](#) was added to the contract.¹² They are also required to engage with employers in their particular areas as a means of securing employment opportunities. This engagement is expected to include the provision of a number of services to employers, such as supports to organisations which provide employment opportunities to JobPath individuals, and the monitoring and measuring of employer satisfaction with services provided.

An overview of the JobPath process as experienced by an individual who is referred by DSP is outlined below.



Awarding of contracts

On 13th October 2014,¹³ the Minister for Social Protection announced that the preferred bidders to deliver the JobPath service were

1. Seetec Business Technology Company. Seetec is a UK-based company which provides training programmes. It also has experience of delivering welfare-to-work programmes in the UK. It will operate JobPath in the northern part of the country, including Dublin.
2. Turas Nua. Turas Nua is a new company comprised of FRS Recruitment, based in Roscrea, Co. Tipperary and Working Links, a UK company which provides employment and training programmes, Turas Nua will operate JobPath in the southern half of the country.

Payment under JobPath

JobPath is intended to operate on a payment-by-results approach for service providers. Both companies will be paid a fee for each unemployed person with whom a personal progression plan (PPP) is prepared. This fee can be no more than 15% of the total cost charged. DSP has suggested that it will actually be closer to 10%.¹⁴

After this, other fees – known as “job sustainment fees” are paid based on the successive periods for which those referred are employed as a result of JobPath. Payments will be made in arrears at 13, 26, 39 and 52 weeks where employment is sustained for these periods.

The RfT document outlines that if it is easier to place people in employment as a result of an improved economy, the fees payable to both JobPath service providers can be reduced by between 4% and 16%. For example, an increase in employment as measured in the Quarterly National Household Survey (QNHS) by between 25,000 and 50,000 will result in a 4% reduction in fees paid to providers, an increase by between 50,000-75,000 will result in an 8% reduction, and an increase of over 75,000 will result in a 16% reduction in fees paid.

It is not known what the fees being charged per person placed in employment are going to be, although it is clear that differential or ‘tiered’ pricing will apply, i.e. higher fees being paid for placing persons further from the labour market in employment lower fees for those closer to the labour market.¹⁵

All tenderers were asked to cost their proposals. At this stage, the fee information of the successful tenderers is not publicly available as it is deemed to be commercially sensitive.¹⁶

For people who are long-term unemployed, once referred by DSP their participation in JobPath is mandatory. They will continue to receive their income support payment. Where an individual repeatedly does not engage with the service provider after being referred, the JobPath providers are required to report them to DSP, which holds the power to sanction the individual, up to and including penalty rates (payment reductions) as provided for under the [Social Welfare \(Consolidation\) Act 2005](#).

Contracting for employment services in comparative perspective

The provision of employment services via contracts with the private and non-profit sector is not new. However, in recent years there has been an increase in the use of for-profit organisations in the delivery of these services. While many countries have used these services to complement existing public employment services (e.g. the UK, Germany, France), Australia fully sub-contracted its employment services to non-public sector providers, making it unique in the OECD.¹⁷

Arguments in favour of contracting out

The general arguments put forward for the use of contracting for public services centre on the ability of the market to provide more innovative and efficient services than public organisations. This is viewed as being largely due to the pressures of cost containment, increased customer responsiveness and related service improvement which the market induces.¹⁸ Specifically in relation to employment services, the benefits of contracting are perceived to include improved results for service users, policymakers, providers and frontline workers. It can also service to expand and reduce service delivery capacity in line with demand without having to make long-term commitments that are often an aspect of purely public sector provision.¹⁹

Arguments against contracting out

Arguments put forward against contracting out of public services include that public accountability and responsibility are diminished and the position of more vulnerable job-seekers could be jeopardised as greater discretion is afforded contracted parties.²⁰ More specifically, criticisms of the provision of public services by private operators in return for payment focus on the perceived tendency to 'cream' or 'skim' service users who require less intervention to produce the desired outcome (for example, those closer to the labour market and/or those with a high level of skill and experience), and 'park' those who are harder to work with (such as those who have been unemployed for a number of years and/or face multiple barriers in accessing employment).²¹

In its statement to the Joint Committee on Education and Social Protection, DSP was of the view that the design of JobPath took account of these criticisms and potential pitfalls. In particular, it suggested that:

“The fees paid to contractors are tiered based on unemployment durations such that contractors are incentivised to provide an equal level of service to all clients rather than focus their attentions on the clients who are easier to place. In addition, contractors will be required, under contract, to commit to a specific level of progression to employment across all clients. Fees paid to contractors are also subject to a number of controls, including retention fees and automatic price discounts. Retention fees, which reduce the level of payments to contractors, apply if contractors fail to meet contractual performance commitments and-or if they do not deliver a satisfactory level of customer service as measured by the Department in independent customer surveys”.²²

Evidence from the UK

In the UK, the Work Programme is the latest iteration of contracting out of employment services for long term unemployed. The generation and analysis of evidence regarding the impact of the Programme is ongoing. However, the consortium evaluating it²³ has made a number of findings in relation to the first cohort who completed the two year Programme.

These include that:

- At some point over the two years (the length of the Work Programme intervention, 44% of participants had been in work, while 33% were in work at the end of the Programme;
- Part—time and temporary jobs were much more common amongst Work Programme participants than amongst the UK workforce generally;
- The proportion of participants who were self-employed was broadly similar to the national average;
- Participants in work were generally happy with the job they had, with 80% suggesting that the position matched their skills, and there was “little evidence of participants being pushed into unsuitable employment”,²⁴
- However, only half felt that the Programme played a role in them finding work.

As the authors of the report note, it will not be possible for the evaluation of the UK programme to statistically establish its impact on employment outcomes. As the Programme was implemented simultaneously across the country, there was no non-Work Programme group (a ‘control group’ or ‘counterfactual’) to compare participants to.

A related aspect of the UK evaluation found that the differential pricing model – where payments to providers are tiered based on type of benefit or length of time on benefit – did not have the desired effect. Many providers reported that the level of need between and within groups varied significantly and that in some cases the amount of support needed did not match the level of remuneration. Where differential pricing did work, it was as a result of Departmental performance management rather than programme design.²⁵

UK studies prior to the rollout of the Work Programme noted strong results for contracted ‘employment zones’ (specific areas with high levels of long-term unemployed) when compared to existing approaches on measures including job start, job retention, and experience of job placement.²⁶

Evidence from European studies

Looking more widely across Europe, the evidence base is far from definitive regarding the impact of subcontracting on employment outcomes. Indeed, there are few studies with robust evidence¹ about contracted employment provision compared to ‘traditional’ public service provision. Those studies with robust evidence present mixed findings:²⁷

- A large scale French experimental study found that the public employment services’ positive impact on employment rates was twice that of the private provider;
- In Sweden, while increased interaction with case workers in private providers did not improve overall chances of finding a job, there were significant nuances in the study. For example, private providers were better at sourcing employment – and gaining better wages – for immigrants than public providers. Yet they were worse for unemployed adolescents on the same measures;²⁸
- A range of German studies found that private providers’ provision had varied effects on long-term unemployed: positive effects on some ‘harder-to-reach’ groups but negative effects on others. While more recent work on German contracting in employment services notes that public provision produced better outcomes, the effects were not sustained: those that were placed by public employment services returned to unemployment more often than those placed by private services.²⁹

In studies across many countries, Dan Finn, a leading expert in this area noted that the nature of engagement between case workers and long-term unemployed was different in

¹ In this context, robust evidence means that which is produced as a result of experimental studies involving rigorous statistical comparison between intervention and control groups.

some contracted organisations. In particular, the intensity of customer provision was greater, as was the focus on job placement. Overall, he notes that, when contractual arrangements are well designed, private providers can “improve outcomes for particular groups and bring innovation to service delivery. The competitive pressure [...] may also prompt improved [public employment service] performance”.³⁰ He also emphasises the importance of commissioning more detailed research on subcontracting arrangements across Europe with a view to identifying the extent to which contracted services and public services compete with or complement each other, and the potential impact contracting has on future public provision.

Conclusion

As suggested above, contracting for public services generally, and employment services specifically, has occurred for some time now. The UK has had significant experience of contracting out over the past twenty years. In its 2014 report on the use of contractors in British public services, the House of Commons Public Accounts Committee³¹ identified five areas for improvement by UK government departments and policy makers:

1. Greater transparency – visibility to government, parliament and the public about suppliers’ performance, costs, revenues and profits;
2. Stronger focus by central government on the contract, both regarding its management and delivery;
3. Greater competition amongst providers to prevent capture by a small number of large providers. This would decrease the risk and exposure of central government should a large provider fail;
4. Enhance capacity to ensure that government can extract the greatest value out of contracts; and
5. Ensure contractors demonstrate high ethical standards in the conduct of public business.

The importance of evaluation of JobPath was emphasised by the Labour Market Council in its interim report of April 2014, when it noted that the programme was a “prime candidate for evaluation given that an evaluation framework can be put in place before it goes live”.³² The JobPath RfT outlines that contracts with Seetec and Turas Nua will be performance managed by the Department. This includes regular audits and the potential to withhold up to 15% of total fees should performance by a company not match its own projections. In addition, there is an ability to review fees paid and revise them downwards.

Further information provided by the Department indicates that it will commission independent surveys of those who have gone through the JobPath process to garner evidence of their experience. It also intends to undertake an econometric evaluation of JobPath with the Labour Market Council in the 2016/2017 period, once sufficient outcome data has been logged. Between now and then, JobPath performance data will be shared with the Council. The Department also notes that it has also agreed an oversight process to monitor performance and outcomes with the Department of Public Expenditure and Reform.³³

¹ See Considine, M. and O'Sullivan, S. (2015) 'Introduction' in O'Sullivan, S. and Considine, M (eds) *Contracting out welfare services: comparing national policy design for unemployment assistance*. London: Wiley Blackwell.

² The Programme for Government, p.7. Available at <http://www.per.gov.ie/wp-content/uploads/ProgrammeforGovernmentFinal.pdf>.

³ Department of Social Protection (2011) *Project Plan for the Development and Implementation of the National Employment and Entitlements Service*. Available at <http://www.welfare.ie/en/downloads/nees.pdf>.

⁴ Burke-Kennedy, E. (2014) *JobPath to deploy 1,000 caseworkers*. *Irish Times*, 14th October.

⁵ See Labour Market Council (2014) *Interim Report*. Dublin: Department of Social Protection, p.3.

⁶ Assistant Secretary of the Department of Social Protection John McKeon [speaking at the Joint Oireachtas Committee on Education and Social Protection](#), 15th October 2014.

⁷ Government of Ireland (2012) *Pathways to Work: Government Policy Statement on Labour Market Activation*. Available at <http://www.welfare.ie/en/downloads/pathwaystowork.pdf>.

⁸ Government of Ireland (2013) *Pathways to Work 2013: 50 Point Plan to Tackle Long-term Unemployment*. Available at <https://www.welfare.ie/en/downloads/Pathways-to-Work-2013.pdf>

⁹ Information taken from Department of Social Protection webpage on JobPath. See <https://www.welfare.ie/en/Pages/JobPath.aspx>

¹⁰ As outlined by DSP official in DSP Oireachtas briefing on JobPath, 16th July 2015.

¹¹ As outlined by JobPath provider in DSP Oireachtas briefing on JobPath, 16th July 2015.

¹² As outlined by JobPath provider and DSP official in DSP Oireachtas briefing on JobPath, 16th July 2015. See also the [L&RS Note on Social Clauses and Public Procurement](#).

¹³ See <https://www.welfare.ie/en/pressoffice/Pages/pr131014.aspx>

¹⁴ As stated by a DSP official during its Oireachtas briefing on JobPath, 16th July 2015.

¹⁵ As stated by a DSP official during its Oireachtas briefing on JobPath, 16th July 2015.

¹⁶ As stated by a DSP official during its Oireachtas briefing on JobPath, 16th July 2015.

¹⁷ OECD (2012) *Activating Jobseekers: How Australia Does It*. Paris: OECD Publishing.

¹⁸ See Krug, G. and Stephan, G. (2013) [Is the Contracting-Out of Intensive Placement Services More Effective than Provision by PES? Evidence from a Randomized Field Experiment](#). IZA (Institute for the Study of Labour) discussion paper, no. 7403; see also O'Sullivan and Considine (2015).

¹⁹ See Sol, E. and Westerveld, M. (2007) [The individual job seeker in the sphere of contractualism](#). *International Journal of Sociology and Social Policy*, vol. 27 (7/8), 301-310.

²⁰ Sol, E. and Westerveld, M. (2007) [The individual job seeker in the sphere of contractualism](#). *International Journal of Sociology and Social Policy*, vol. 27 (7/8), 301-310.

²¹ Creaming, parking and skimming can also occur in public organisations providing services, for reasons other than profit.

²² Assistant Secretary of the Department of Social Protection John McKeon [speaking at the Joint Oireachtas Committee on Education and Social Protection](#), 15th October 2014.

²³ Institute for Employment Studies, the Social Policy Research Unit at the University of York, the National Institute of Economic and Social Research, the Centre for Economic and Social Inclusion and GfK NOP (2014) [The Work Programme: the participant experience report](#). London: Department for Work and Pensions.

²⁴ *Ibid*, p. 21.

²⁵ See Centre for Economic and Social Inclusion, the National Institute of Economic and Social Research, the Institute for Employment Studies and the Social Policy Research Unit (2014) [Work Programme evaluation: Operation of the commissioning model, finance and programme delivery](#). London: Department for Work and Pensions, pp. 133-137.

²⁶ See Finn, D. (2011) [Sub-Contracting in Public Employment Services: Review of research findings and literature on recent trends and business models](#). Brussels: DG Employment, Social Affairs and Inclusion.

²⁷ See Finn, D. (2011) [Sub-Contracting in Public Employment Services: Review of research findings and literature on recent trends and business models](#). Brussels: DG Employment, Social Affairs and Inclusion.

²⁸ See also Benmmarker, H., Gronqvist, E. and Ockert, B. (2009) [Effects of outsourcing employment services: evidence from a randomized experiment](#). Uppsala: The Institute for Labour Market Policy Evaluation.

²⁹ See Krug, G. and Stephan, G. (2013) [Is the Contracting-Out of Intensive Placement Services More Effective than Provision by PES? Evidence from a Randomized Field Experiment](#). IZA (Institute for the Study of Labour) discussion paper, no. 7403.

³⁰ See Finn, D. (2011) [Sub-Contracting in Public Employment Services: Review of research findings and literature on recent trends and business models](#). Brussels: DG Employment, Social Affairs and Inclusion, p.31.

³¹ House of Commons Committee of Public Accounts (2014) [Contracting Out Public Services to the Private Sector: Forty-Seventh Report of Session 2013-2014](#).

³² See Labour Market Council (2014) [Interim Report](#). Dublin: Department of Social Protection, p.4.

³³ DSP communication with the L&RS, 17th July 2015.