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<t> *The Policymaker's Dilemma: The Risks and Benefits of a 'Black Box' Approach to Commissioning Active Labour Market Programmes* </t>

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<ha>Abstract</ha>

<ind>In September 2009, the British Government launched a new employment assistance model called Flexible New Deal. It was soon replaced by Work Programme in 2011. Both prioritized what is often called a 'black box' approach to public employment assistance, whereby the government purchaser focuses predominantly on outcomes and does not seek to direct agency operations. Using a study of the orientations and strategies of frontline employment services staff in 2008 and 2012, we seek to enhance understanding of the impact of so-called 'black box' commissioning on key aspects of service delivery. Black box advocates propose that it is a hands-off approach that allows agencies to be innovative and to improve efficiency. These effects are thought to be due to improved local service quality and greater flexibility to tailor services to individual clients. Critics argue that this increased discretion facilitates under-servicing of some jobseekers and agency profiteering. These practices are commonly referred to as 'parking' and 'creaming'. In this UK study, we provide evidence of both positive and negative activities associated with black box commissioning. We find some small improvements in flexibility at the frontline, but little to no evidence of increased efficiency as measured by the reported rates of jobseekers moving into work. We also observe an increase in practices associated with creaming and parking. We conclude that improving efficiency and maximizing innovation are not guaranteed by black box commissioning, and that the aim of facilitating increased frontline flexibility, while also minimizing risk, persists as a major policy design tension. </ind>

<ha>Keywords</ha>

Black box; Welfare-to-work; Commissioning; Work Programme

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<ha>Introduction: The UK Commissioning Models and the Emergence of the Black Box Approach</ha>

Since 1998, the UK's employment services sector has undergone several reforms: New Deals (NDs), introduced in 1998 and supplemented by Employment Zones (EZs) in the early 2000s; EZs from 2000 until 2009; Flexible New Deals (FND) between 2009 and 2011; and, lastly, the Work Programme (WP) which commenced in 2011 and remained in place at the time of this study. Embedded in these reforms is a commissioning model that reflects the government's approach to sourcing, procuring and then managing the provision of public employment services. Conceptually, commissioning is defined as a 'cycle of assessing the needs of people in an area, designing and then securing appropriate service' (Cabinet Office 2006: 4). Key components of this commissioning model may be derived from the model provided by Hussey and Hussey (1997: 149–50) including: (1) a strategic needs assessment; (2) deciding priorities and outcomes; (3) planning and designing services; (4) options appraisal; (5) sourcing; (6) delivery; and (7) monitoring and review. Since the introduction of the NDs in 1998, the UK employment services sector has seen significant changes to its commissioning model. The changes have been episodic in nature, often stimulated by the government's broader public sector reform agenda. While there are evident differences in each government's priorities during this period, all have been drawn towards the creation of a substantial quasi-market in employment services, driven by an outcomes focus in both the purchasing and regulatory parts of the system.

While contracting-out of public employment services was part of the method employed by the Manpower Service Commission in the 1980s (Lane *et al.* 2013), it was the introduction of EZs which is rightly described as the 'major initiative to incorporate private providers into the delivery of employment reintegration services' (Bruttel 2005: 389), marking a significant change in the private sector's role in frontline service delivery. Before 1997, the participation of private employment agencies in the development or delivery of mainstream employment programmes was carried out on a very modest scale (Considine 2001; Finn 2005). Before 2000, private providers only delivered certain agreed parts of the service menu, such as job search or short-term vocational training, while the pivotal task of job brokerage rested with the Employment Service, a public agency which is now the core of Jobcentre Plus (JCP). At first, these private providers acted as sub-contractors to public agencies. However, when the EZs were launched in 2001, the involvement of private actors expanded and intensified (Lane *et al.*

2013). For the first time, they were commissioned to deliver the whole programme and were awarded ‘all of the relevant provision in the area for which they won the bid’ (Finn 2005: 8). This change resulted in direct contestability of the services delivered by the public service (JCP) and the private agencies in some designated cities. As this reform progressed, the market share enjoyed by private for-profit and not-for-profit agencies significantly increased, and at the time of writing included more than 20 programmes, 40 contracts and 18 regional areas under WP (DWP 2012).

Central to this commissioning model have been new techniques for rewarding contractors. The concept of outcome-based payment, which places an emphasis on what service providers have achieved rather than the process they have followed, was first introduced into the UK’s employment services sector in the 1980s (Lane *et al.* 2013). Underlying that policy mechanism was concern about the ‘possibility that providers may deliver the volumes of service required, in the manner agreed, at the right time, to high quality standards, but still not achieve the desired outcomes’ (Finn 2012: 3). In 2007, the government commissioned the Freud Report, signaling its determination to implement a stronger ‘payment by results’ (PbR) system. Under the previous ND policies, ‘payments were partly linked to performance on work starts and work retention – the funding was divided 40:30:30 for services, job starts and job retention at six months’ (Vergeris *et al.* 2011: 13). This was a mixed economy of activity rewards and outcome payments. The agencies earned 40 per cent of their income from process activities such as interviewing clients, helping them prepare for interviews and coaching them to improve their search strategies. When WP was introduced, a stronger outcome-based payment structure was developed with a greater focus on sustained employment. Specifically, agencies were paid a relatively small up-front ‘attachment payment’ which would be reduced to zero by the fourth year of their contract (Grimwood *et al.* 2013), that is, by 2015. Put differently, under this outcome-focused model, the risks were transferred to service providers to a greater extent than before (Lane *et al.* 2013).

In 2012, the government correctly described WP as ‘a major new payment-for-results welfare-to-work programme’ (DWP 2012: 2). In another context, Chris Grayling MP argued that WP was possibly ‘the biggest payment by results scheme in the world’ (Vaugh 2012). It is also claimed that:

<ex>This ‘outcome-based commissioning’ approach encourages commissioners to focus on ends, not means, and is seen as a way of promoting improvements in public

services. PbR aligns funding arrangements with this outcomes focus, paying for services, at least in part, on the basis of the outcomes that they achieve (Battye and Daly 2012, as cited in Lane *et al.* 2013: 5).

Enabled by this outcome-based payment mechanism, embedded in the new UK employment services model and prioritized under WP, we can also identify the genesis of the ‘black box’ approach to service management. The expression ‘black box’ refers to a policy model where the service providers or agents are free to define their own actions including how to personalize support for unemployed people, engage them in unique activities or provide them with training and mentoring (Lane *et al.* 2013) as long as that approach is effective (Mulhern and Menne 2008) in helping them to achieve their job outcomes. This flexibility is conditional upon the meeting of certain minimum service standards that the contractors are required to propose as part of their bids (Foster *et al.* 2014). In short, a black box approach assumes that the service provider is expertly placed to make all day-to-day programme decisions and rather than guiding their hand, the purchaser should permit the provider to operate relatively free of direction, again, so long as outcomes are achieved.

The earlier NDs were more process driven and their norms for agency conduct required certain standard actions to be taken with all clients. This was seen by some as a barrier to their improved effectiveness and efficiency (Johnson 2012). The new Conservative Government expressed a commitment to minimizing these prescriptions (Lane *et al.* 2013). In 2000, when EZs were outsourced to the private sector, according to the prevailing narrative, the providers ‘did not have to deliver a prescribed program’ (Johnson 2012). This might be considered the UK’s first serious attempt at a black box model. However, according to Johnson (2012), ‘it wasn’t really a black box at all’. There were many standard requirements. As Finn (2012: 5) put it, ‘service providers were still expected to deliver a centrally determined and locally prescribed programme utilizing sub-contractors where necessary’. With the introduction of WP, prime contractors enjoyed what Mulhern and Menne (2008: 28) describe as ‘unprecedented flexibility over the kind of support they provide’. The system is said to have involved a ‘shift from standardized programmes to providers offering people personalized support to get back to work’ (Mulhern and Menne 2008: 6). However, that programme’s flexibility also had limitations. As such, the black box approach became more pronounced under WP. Unlike FND, no mandatory service components were prescribed in WP contracts. As a result, agencies were free to decide which interventions to offer to help participants into sustainable employment. In their bids, each

prime contractor was able to propose its own delivery model, supported by its own minimum service delivery standards (Lane *et al.* 2013: 9).

Another key innovation in these service reforms was the introduction and development of the so-called prime contractor model which significantly changed the way the purchaser (Department for Work and Pensions [DWP]) interacts with frontline agencies. The prime model refers to a system where contracts are awarded to 'large, professional placement agencies at regional level', which in turn 'awards sub-contracts to smaller, specialized, local service providers' (Weishaupt 2011: 13). A prime contractor is expected to deliver the awarded services themselves or through a network of sub-contractors, forming a supply chain. Under NDs and EZs, the Department (DWP) contracted directly with each frontline service provider. However, by 2006, that model was perceived to be inefficient due to the large number of small and short-term contracts and the complexity of associated transaction costs (Finn 2011). The government thus 'centralized the procurement of employment services provision within DWP' and in 2007 introduced prime contractors (Finn 2011: 13), which in effect reduced the number of contracts signed by government from 1,000 to 94 'prime' contracts, consisting of agreements with 53 for-profits, 27 not-for-profits, and 14 public sector providers. The relationship between a prime and its sub-contractors in the supply chain was subject to the Merlin Standard which is a 'code of conduct' governing the behaviour 'between prime providers and their supply chains' (Finn 2012: 7). However, despite the rationalization, the number of providers working directly with DWP was still high at 438 in 2009. Consequently, the prime model was further reformed with an even smaller number of prime contractors. The government's commitment to the prime model was strengthened under WP and contracts were awarded to just 18 prime contractors with longer time periods and larger geographical contract areas (Lane *et al.* 2013).

Underlying the UK government's commitment to this overhaul of the commissioning model were expectations about the contributions that each innovative component of the model could make to the system in general. More specifically, according to Finn (2012: 1), 'complementing existing PES services by utilizing the skills and capacities of specialist providers' and 'meeting the needs of new client groups and/or responding to increased cyclical demand' aside, introducing and increasing competition/contestability is the most significant reason why these UK governments have sought to contract out public services in this manner. Theoretically, competition and contestability are thought to be better than a public service monopoly (Sturges 2011) as they should drive improvements in ways that a monopoly might not. Examples

included improved efficiency (Andrews and van de Walle 2013; Davidson 2011); greater effectiveness (Andrews and van de Walle 2013); improved service quality (Davidson 2011; Commonwealth of Australia 1994; Sturgess 2011) and increased innovation (Sturgess 2011).

The main objective of these outcome-based prime contracts was to capture efficiency gains. The efficiency dividend had a number of quite different elements. First was the transferring of the risk of poor performance to providers to spur better behaviour by them. Second was the paying of fees only in return for successful performance, thus eliminating waste. Third, the purchaser was presumed to be able to focus on 'exactly what they want the provider to achieve and why' (Finn 2012: 4), thereby improving responsiveness to policy. Fourth, the providers would place an emphasis on 'the purpose of the service, both at a general level and for front line staff where overall outcomes can be linked into personal appraisal systems and individual or group targets' (Finn 2012: 4). By gradually increasing the risks being transferred to providers, the government subjected them to greater pressure and, consequently, to intensified competition in the sector; and with more intense competition, it was expected that firms would innovate to achieve even greater efficiency gains.

The black box approach was a critical element in this model. It created space where the provider would be committed to reducing costs, improving performance, and being more innovative. It was believed that this would result in flexible and better tailored services for the customer and that this would secure higher numbers of jobseekers moving into paid employment (Finn 2012). Practically, by adopting the black box approach, the government transferred its control over day-to-day public service delivery to these contractors, saving costs at its end. The major justification for the prime model on the other hand was to reduce administrative complexity and running costs (Work and Pensions Committee 2009: section 37, as cited in Weishaupt 2011: 13) thanks to a smaller number of contracts and increased professionalism by the prime contractors. The awarding of longer contracts in larger areas was also expected to encourage providers to make long-term investments and allow them to 'reap economies of scale' (Finn 2011: 23–4).

The commissioning model under WP was designed with multiple objectives in mind. However, realizing the projected benefits is not straightforward at an operational level. For example, like any other businesses, employment services agencies are faced with the 'traditional' trade-off between two dimensions of any service delivery – cost and quality, in achieving optimal outcomes (e.g. revenues, profits, etc.). The higher service quality (e.g. improving jobseeker employability, better tailored services, etc.), the higher cost incurred and thus the lower the

profit, and vice versa. Put differently, one must often be chosen at the expense of the other. In some instances, agencies could simultaneously reduce cost and improve quality, when their operations are leveraged by breakthroughs or innovation in, for instance, management and technology, which is believed to be enabled by agencies' freedom in exploring all possible avenues to better performance, hence the black box.

Innovation, while seemingly attractive, is often expensive, which leaves 'low hanging fruit' as potentially the better option when it comes to handling the quality/cost trade-off. To maximize placement outcomes and save costs, agencies could, for instance, 'cherry pick' clients by referring only those clients already close to meeting their expectations, while under-servicing the harder to help clients. The former is commonly referred to as 'creaming' and the latter as 'parking' (Considine 2005). Some providers have even been found to engage in fraud (Hill 2013). Unfortunately, these practices are made all the more difficult to detect in the black box contracting environment, which arguably carries with it the potential to hinder provider information transparency.

The quest for lower costs has seen agencies moving towards 'minimum service standards' that they commit to as part of the procurement process. While these standards serve as a counterpart to agencies' potential perverse behaviours (e.g. creaming/parking) for the purpose of holding up industry standards, they are only a baseline for services and define little in practice.

Concerns have also been raised about the drawbacks of the prime model. Under WP, sub-contractors deliver various services under contract to their prime. This gives rise to two issues. First, given no direct contractual relationships with sub-contractors, the government purchaser cannot effectively monitor the market segment being delivered by them. Second, this situation effectively grants primes the 'monopsony power' over their relationships with sub-contractors (Mulhern and Menne 2008: 17). As such, sub-contractors risk being exploited due to greater risks being transferred to them by primes in a relationship where power is severely asymmetric (Mulhern and Menne 2008). Known examples include primes top-slicing cash payments before they cascade down: starving sub-contractors of referrals; being highly prescriptive in their dealings with sub-contractors, and imposing limits on the innovation potential of sub-contractors and thus the flexibility of the system more generally. The risks associated with the WP commissioning model have been nicely summed up by Finn (2012) and Anderson *et al.* (2002) to include reduction in service quality, weaker co-operation between competing providers, a diminution of impartial norms of service delivery, weaker ethical standards, less

fairness and equity and a risk that contractors would ‘play favourites’ in their approach to clients.

Unlike some previous studies of the impact of the black box approach (e.g. Lane *et al.* 2013; Finn 2012; Damm 2012; Meager *et al.* 2014), which focus either on the impact of a black box approach and the funding model on ‘third sector’ providers (e.g. not-for-profit, specialist and community based providers); how service providers shape their service delivery and supply chain models in light of the introduction of the black box model; or the impact of black box commissioning from the jobseekers’ perspective, this study investigates the model from a frontline service perspective. Using local self-reports we tracked changes to the outcomes associated with a black box approach to service privatization, between FND and WP. In particular we asked: were frontline staff more flexible and autonomous; were services more tailored; and was the system more effective as measured by the number of jobseekers placed into regular work? The practice of creaming and parking, arguably a risk in any contracting model approach, was also examined.

In an effort to highlight the impact of change we also provide some comparisons between these UK results with those in a similar system. The Australian employment services framework is comparable to the UK, but while the UK was escalating its use of black box methods, Australia was moving in the other direction. Starting with case management in 1990s, under which private providers enjoyed a considerable degree of autonomy, the Australian system had become more and more regulated over time (Considine *et al.* 2011), with providers subject to various quantitative Key Performance Indicators, including the ‘famous’ Star Rating system introduced in 2001 (Jobs Australia 2015). We therefore use this country comparison to isolate some of the impacts of a black box approach.

Method

The data were collected using an online survey of frontline employment services staff. The survey was first developed between 1996 and 1998 following interviews with frontline employment services staff and their managers in the UK and elsewhere (Considine 2001). In 1998, frontline staff in the UK, Australia, the Netherlands and New Zealand were surveyed, and the survey was repeated in 2008. The survey was run for a third time in 2012 in the UK and Australia. Data collected only in the UK and Australia in 2008 and 2012 is used in this analysis. As we saw, the first attempt at a black box system in the UK was undertaken in 2000. Although for purists (Johnson 2012), ‘it was not black box at all’. It was not until WP was introduced in

June 2011 that the government really ceased a prescriptive approach to providers' service delivery processes. Therefore, in the minds of many, 2011 is the commencement of the black box period in UK employment services. Given that, our data collected in 2008, one year before the implementation of FND and in 2012, one year after the commencement of WP, reflects key features of the system before and after the introduction of this commissioning approach.

The survey respondents were frontline employment services staff. Frontline staff are the best informants on flexibility and autonomy at the point of service. They are also a credible source of knowledge about different aspects of service delivery, including service tailoring and creaming/parking practices, as they directly deliver services. We acknowledge that staff reports of some other indicators, for instance, their own placements and caseloads would be dependent on the accuracy of their recall, or may be subject to factors such as optimism. However, we expect any such effects to be generalized to the frontline as a whole and therefore unlikely to limit the value of the comparative effects within this cohort and between the time periods. Survey respondents in both countries worked for providers of different types (government [UK only], not-for-profit and for-profit, different sizes [small, medium and large]). As shown in table 1, we surveyed 1,196 frontline staff from 11 agencies in 2008 and 564 frontline staff from nine agencies in 2012 in the UK. The number of agencies may be somewhat modest as compared to the highly diverse FND and WP 'population'; however, given our focus on the frontline, the samples at respondent level are sufficient. The corresponding statistics for Australia were 1,512 frontline staff from 33 providers in 2008 and 1,267 frontline staff from 26 providers in 2012.

[Insert table 1 here]

The data were analyzed using standard ANOVA tests. The Chi-squared test was used to detect differences between survey years where the responses were categorical, ordinal and ranking. In cases of numeric responses or continuous variables, t-test was used instead. Statistical significance was tested at the 0.05 level. Precise p-values are provided where appropriate. *Prima facie* the 'eye-catching' difference between sample sizes could raise questions statistically. Fortunately, unequal sample sizes are not a great concern in the case of the two specific tests in use: Chi-square and t-tests, with the only exception being that the test power is sub-optimal.

Findings

The UK system

As discussed, frontline staff flexibility and autonomy are key parts of the service delivery attributes of the black box approach to service contracting. We tracked the changes on this

dimension by comparing 15 items between 2008 and 2012. Only three differences are significant (see table 2). Of those issues that yielded a statistically significant result between 2008 and 2012, we found that the percentage of frontline staff who have no say in changing how they do their job significantly decreased from 19 per cent in 2008 to 11 per cent in 2012. This indicates some degree of greater autonomy for frontline staff. The sector has seen a significant decrease in frontline staff's use of profiling tools when working with clients, down from 56 per cent in 2008 to 49 per cent in 2012, implying less standardization and perhaps more flexibility for frontline staff in dealing with jobseekers. Such changes were offset by the fact that 67 per cent of frontline staff experienced the IT system as determining how they did their job in 2012 compared to 52 per cent in 2008. However, overall, our results suggest surprisingly few differences in the level of autonomy and flexibility enjoyed by frontline employment services staff working in the UK employment services sector between 2008 and 2012.

[Insert table 2 here]

By releasing providers from fixed processes, the black box approach aimed to foster higher levels of tailoring. We therefore looked at whether service tailoring had increased by 2012, three years after the implementation of the first black box system, and a year after the introduction of WP. We found overall that services were not more tailored in 2012. One measure of tailoring is responding to the client's own willing commitment to work and his or her choice of a range of return-to-work strategies. In 2012, 29 per cent of frontline staff reported that they placed little emphasis on clients' choice, compared to 18 per cent in 2008. That difference is statistically significant. On the question of how much influence jobseekers have in helping determine the activities that they are recommended to undertake, a decrease is also evident between 2012 and 2008. Frontline staff reported that jobseeker preferences were either very influential or quite influential 65 per cent of the time in 2012 compared to 73 per cent in 2008. That difference is also statistically significant. Obviously, client choice is not a complete measure of tailoring as there are issues the frontline staff member may want addressed that are not in the jobseeker's current preference list. So we also asked if frontline staff offered all their jobseeker clients the same level of service. We found evidence of increased tailoring, with 88 per cent frontline staff disagreeing or strongly disagreeing in 2008, compare to 80 per cent in 2012 (see table 3). In other words, a rising proportion was being given a differentiated service. This higher level of tailoring might not have generated unmitigated benefit for jobseekers of course. Tailoring could also involve parking some clients and spending more time with others. Lastly, we found no

statistically significant difference in the influence of rules and regulations on jobseeker-related decisions, implying that there was no change to staff's level of perceived autonomy between the two studies, at least so far as deciding how to work with jobseekers was concerned.

[Insert table 3 here]

As hypothesized, the data point to an increase in creaming and parking, one of the commonly cited perversities of a black box regulatory framework. Of the six survey questions used to consider this issue, we found statistically significant differences in four items. Of those four, three indicated that in 2012 more frontline staff were engaged in creaming and parking than had been the case in 2008. More specifically, the number of jobseekers who were not participating in any activity and not looking for work significantly increased from around 11 per cent in 2008 to 14 per cent in 2012 (see table 4). Despite the same pattern in relation to the number of jobseekers that are not followed at all by frontline staff, which increased from 17 to 19 jobseekers between 2008 and 2012, this difference is not significant. When asked if it is their agency's practice was to pick out the most capable jobseekers and give them the best service, in 2012, 28 per cent of frontline staff agreed compared to 20 per cent in 2008. More staff in 2012 (47 per cent, compared to 35 per cent in 2008) also reported that they organized jobseekers into formal and informal priority groups. The only survey item that showed a reverse trend was the statement 'our organisation has targets for certain types of clients/jobseekers'. For that statement, the percentage of frontline staff who agreed decreased from 82 per cent in 2008 to 75 per cent in 2012.

[Insert table 4 here]

Based on estimated placement data alone, in 2012, under WP with its full scale black box contracting system, more jobseekers were placed into work than under the 2008 model. In 2008, frontline staff reported placing five jobseekers into work in the month previous to the survey. By 2012 that had risen to nine (see table 5). That difference is statistically significant. However, the increased declared placement rate only tells part of the story. In order to ensure that the estimates do not become skewed as a result of differences in caseload size, we further asked frontline staff to calculate their placement rate as a proportion of their caseload. Once the rate of placements is adjusted to account for increases in caseload sizes, we find that by 2012 the placement rates had fallen in real terms from 15 jobseekers placed into work in the past in 2008 to 10 in 2012 (see table 5).

To further guard against sample bias, resulting from changes in outcome-based payment structures that encourage providers to focus on clients who have the most serious barriers to employment, we also asked frontline staff to calculate the proportion of their clients they consider to be 'the more difficult to place into work'. Interestingly, respondents indicated that they had less difficult-to-place clients in their caseload than before. Table 5 shows that in 2012, 36 per cent of jobseekers were considered by to be more difficult to place into work. That is compared to 41 per cent in 2008. We therefore can conclude that placements by frontline staff in 2012 were proportionally lower per staff member than in 2008.

[Insert table 5 here]

UK versus Australia

We now turn to a comparison of Australia and the UK, during the same period, in relation to the issues already examined in this article. As noted above, while the UK explicitly moved towards a black box system, Australia moved in the opposite direction, with the Australian system becoming increasingly rule-bound and centrally controlled by the purchaser. Given this, results from Australia should allow us to better understand the extent to which patterns in the UK might be informed by its black box commissioning model rather than by more general trends in this sector.

The UK saw evidence of a slight increase in frontline staff autonomy, where the reverse is true for Australia (see table 6). Specifically, in the case of Australia, of the 15 tests for flexibility/autonomy, responses from Australian frontline staff suggest a decrease in flexibility on ten measures. This is compared to one indicator of decreased flexibility in the UK. In relation to flexibility, we can therefore feel confident that the decision made by Australian policy makers to explicitly control the actions of providers has resulted in decreased flexibility. At the same time, the decision by Whitehall to embrace a black box model has either had no impact on flexibility, or has tended to increase it.

On the issues of gaming, Australia's more prescriptive regulatory framework appears to have been effective in preventing an increase in such behaviour, compared to the UK. According to our six tests for creaming and parking, Australia remained the same in four cases, increased in one, and decreased in another. This is in contrast to the UK where an increase on three counts is evident. This suggests an overall increase in gaming behaviour in the UK, compared to Australia.

On the question of system effectiveness the picture is more complicated. In the Australian case, it is clear that there was no increase in effective job placements between 2008 and 2012. In the UK, as already discussed, there was an overall increase in the rate of placements, but that improvement is not evident when considered from a proportional caseload perspective. As in Australia, UK frontline employment services staff placed a smaller proportion of their caseload into work in 2012 compared to 2008. Consequently, the specific impact of the black box component on placements is perhaps inconclusive, but the data presented here should certainly give pause to those who profess a strong link between a black box commissioning model and a more effective service model.

[Insert table 6 here]

<ha>Conclusions</ha>

The findings of the study indicate that the black box approach to employment services privatization has not delivered some key benefits that system designers expected would be generated under WP. For example flexibility, tailoring and individualized service delivery have increased only slightly. At the same time, we have identified points in the system where the risks commonly associated with black box contract management appear to be evident in the UK. For example, we found reduced rates at which jobseekers were placed into work. This is despite frontline staff reporting that clients were not significantly more difficult to place. However, the data does not allow strong conclusions to be drawn about the association between the black box approach and job placements. Not least of all because the economic conditions in the UK deteriorated between survey periods.

Nonetheless, this research contributes to an understanding of the costs and benefits associated with black box systems. Overall we find that the UK's quasi-market in employment services, has not generated a number of the specific service delivery benefits associated claimed for it, but has resulted some of the undesirable side-consequence typically attributed to such a system. We therefore argue that other means of injecting flexibility and innovation into privatized services might be considered ahead of a black box approach.

This study is, however, not exempt from limitations. While we have sought to find evidence of black box outcomes including efficiency, service quality and innovation, we have used a single indicator only for each issue under consideration. That was, placement into regular work as an indicator of efficiency, service tailoring for service quality and frontline staff flexibility and autonomy for innovation. If other data were available to us, for example, efficiency might also

be reflected in cost reductions, our conclusions could be strengthened. This would give a better picture of the overall impact of WP. Also, it could be argued that the outcomes under investigation could co-vary with labour market conditions (e.g. economic crisis, and the unemployment rate). However, these factors were not controlled for in this analysis. Future research that incorporates a wider range of control factors would be welcome.

Last but not least, while the Australian system seems to be the most comparable system to the UK's for the time being and, therefore, was employed for the purpose of bench marking, this is to some extent 'crude' in nature. The findings of our study are thus indicative, but not yet determinate in nature and should be subject to further validation. This provides a basis and direction for further studies that deal with the interactions among commissioning components using a larger number of dimensions to measure impact at the frontline and in the lives of jobseekers and employers.

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<t1><cap>Table 1
Survey sample</cap>

Year	Number of agencies				Number of respondents
	Public	Not-for-profit	For-profit	Mixed	
UK					
2008	1	5	5	0	1,196
2012	1	4	3	1	564
AUS					
2008	n/a	26	7	0	1,512
2012	n/a	18	7	1	1,264

</t1>

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<t2><cap>Table 2
Flexibility/autonomy at the UK frontline*</cap>

When it comes to day-to-day work, I am free to decide for myself what I will do with each client/jobseeker					
	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	147 (16.7%) -0.3	408 (46.3%) -0.3	111 (12.6%) 0.1	168 (19.1%) 0.7	47 (5.3%) -0.1
2012	54 (18.6%) 0.6	142 (49.0%) 0.5	35 (12.1%) -0.2	43 (14.8%) -1.3	16 (5.5%) 0.1
Chi-squared(4) = 3.045, P = 0.550					
I use a lot of personal judgement to decide what is best for each client/jobseeker					
	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	198 (22.5%) -0.9	522 (59.4%) 0.1	93 (10.6%) 0.7	55 (6.3%) 0.8	11 (1.3%) -0.5
2012	84 (28.8%) 1.6	169 (57.9%) -0.3	22 (7.5%) -1.2	11 (3.8%) -1.3	6 (2.1%) 0.9
Chi-squared(4) = 9.087, P = 0.059					
I am often asked to suggest ways to improve things					
	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	129 (14.6%) -0.6	428 (48.6%) 0.2	174 (19.8%) 1.0	104 (11.8%) -0.6	46 (5.2%) -0.4
2012	51 (17.9%) 1.1	134 (47.0%) -0.3	39 (13.7%) -1.8	42 (14.7%) 1.1	19 (6.7%) 0.8
Chi-squared(4) = 8.208, P = 0.084					
My supervisor knows a lot about the work I do day to day					
	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	200 (22.8%) -0.1	419 (47.7%) 0.3	103 (11.7%) -0.5	119 (13.5%) 0.3	38 (4.3%) -0.5
2012	67 (23.1%) 0.1	130 (44.8%) -0.5	41 (14.1%) 0.9	35 (12.1%) -0.5	17 (5.9%) 0.9
Chi-squared(4) = 2.878, P = 0.578					
When I come across something not covered by the procedural guide, I refer it to my supervisor					
	Strongly	Agree	Neither	Disagree	Strongly disagree

	agree				
2008	138 (15.6%) -0.2	492 (55.7%) -0.1	121 (13.7%) 0.4	115 (13.0%) 0.2	17 (1.9%) -0.4
2012	49 (16.7%) 0.4	167 (57.0%) 0.2	34 (11.6%) -0.7	35 (11.9%) -0.4	8 (2.7%) 0.7
Chi-squared(4) = 1.837, P = 0.766					
Our computer system tells me what steps to take with clients/jobseekers and when to take them					
	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	73 (8.3%) 0.8	277 (31.6%) 0.8	178 (20.3%) -0.7	231 (26.4%) -0.5	117 (13.4%) -0.2
2012	15 (5.3%) -1.4	72 (25.4%) -1.4	71 (25.1%) 1.3	84 (29.7%) 0.8	41 (14.5%) 0.4
Chi-squared(4) = 8.632, P = 0.071					
Your say in how you do your job					
	No say at all	Some say	Moderate say	A good deal of say	A great deal of say
2008	90 (10.1%) 0.4	253 (28.5%) -0.3	166 (18.7%) -0.2	284 (31.9%) 0.6	96 (10.8%) -0.7
2012	23 (8.2%) -0.8	86 (30.7%) 0.5	56 (20.0%) 0.4	76 (27.1%) -1.1	39 (13.9%) 1.2
Chi-squared(4) = 4.776, P = 0.311					
Your say in the order in which you perform tasks					
	No say at all	Some say	Moderate say	A good deal of say	A great deal of say
2008	72 (8.1%) 0.6	181 (20.4%) -0.2	149 (16.8%) 0.2	326 (36.7%) -0.3	161 (18.1%) 0.0
2012	16 (5.7%) -1.1	60 (21.4%) 0.3	44 (15.7%) -0.3	109 (38.9%) 0.5	51 (18.2%) 0.0
Chi-squared(4) = 2.161, P = 0.706					
Your say in speed at which you work					
	No say at all	Some say	Moderate say	A good deal of say	A great deal of say
2008	146 (16.4%) 0.8	181 (20.4%) -0.3	184 (20.7%) -0.7	255 (28.7%) 0.3	123 (13.8%) 0.1
2012	34 (12.1%)	63 (22.5%)	71 (25.4%)	74 (26.4%)	38 (13.6%)

	-1.4	0.6	1.3	-0.5	-0.1		
Chi-squared (4) = 5.516, P = 0.238							
Your say in changing how you do your job							
	No say at all	Some say	Moderate say	A good deal of say	A great deal of say		
2008	168 (18.9%) 1.3	205 (23.1%) -1.2	205 (23.1%) 0.0	226 (25.4%) 0.1	85 (9.6%) 0.0		
2012	31 (11.1%) -2.4	88 (31.5%) 2.2	64 (22.9%) 0.0	69 (24.7%) -0.2	27 (9.7%) 0.0		
Chi-squared(4) = 13.691, P = 0.008							
Your say in how you engage with clients							
	No say at all	Some say	Moderate say	A good deal of say	A great deal of say		
2008	35 (4.0%) -0.1	153 (17.3%) -0.1	113 (12.8%) -0.9	343 (38.8%) 0.0	241 (27.2%) 0.8		
2012	12 (4.3%) 0.2	50 (17.9%) 0.2	48 (17.2%) 1.5	108 (38.7%) 0.0	61 (21.9%) -1.3		
Chi-squared(4) = 5.485, P = 0.241							
Leeway in deciding which programme or activity your jobseekers should be assigned to							
	1 Very little leeway	2	3	4	5	6	7 A great deal of leeway
2008	139 (15.1%) 0.8	93 (10.1%) 1.1	81 (8.8%) 0.3	126 (13.7%) -0.6	202 (21.9%) -0.7	150 (16.3%) -0.1	130 (14.1%) -0.2
2012	35 (11.4%) -1.3	18 (5.8%) -1.9	24 (7.8%) -0.5	52 (16.9%) 1.1	81 (26.3%) 1.2	52 (16.9%) 0.2	46 (14.9%) 0.3
Chi-squared(6) = 10.865, P = 0.093							
The extent the IT system you use dictates how you do your job							
	1 To a small extent	2	3	4	5	6	7 To a large extent
2008	68 (7.6%) 0.4	91 (10.2%) 0.8	117 (13.1%) 0.8	154 (17.1%) 1.1	151 (17.0%) -0.3	158 (17.8%) 0.2	151 (17.0%) -2.3
2012	17 (6.1%) -0.7	19 (6.8%) -1.4	26 (9.3%) -1.4	31 (11.1%) -2.0	53 (18.9%) 0.6	46 (16.4%) -0.4	88 (31.4%) 4.1
Chi-squared(6) = 33.722, P = <0.0001							

Answers to a standard set of assessment questions are essential in determining what activities are recommended to them				
	Not at all influential	Somewhat influential	Quite influential	Very influential
2008	133 (13.4%) -0.4	391 (39.4%) -0.3	301 (30.3%) 0.3	167 (16.8%) 0.5
2012	51 (15.0%) 0.6	142 (41.9%) 0.5	97 (28.6%) -0.4	49 (14.5%) -0.8
Chi-squared(3) = 2.010, P = 0.570				
Use the answers to any form of standard client classification (profiling) or checklist when deciding how to work with a client/jobseeker or any other course of action				
	Yes	No	I am not a consultant	
2008	593 (56.2%) 0.9	307 (29.1%) 0.6	156 (14.8%) -2.2	
2012	181 (48.7%) -1.5	95 (25.5%) -1.0	96 (25.8%) 3.7	
Chi-square(2) = 23.053, P = <0.0001				

</t2>

<tn>Notes: * All Chi-square tables: three statistics: frequency, (percentage), standardised residual.</tn>

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<t3><cap>Table 3

Service tailoring at the UK frontline</cap>

Agency emphasize jobseeker choice in the services they receive							
	1 None	2	3	4	5	6	7 A great deal
2008	21 (2.3%) -1.7	53 (5.7%) -1.1	96 (10.4%) -0.7	190 (20.5%) 0.1	214 (23.1%) 0.1	167 (18.0%) 1.1	185 (20.0%) 0.7
2012	20 (6.4%) 3.0	30 (9.6%) 2.0	42 (13.4%) 1.2	62 (19.8%) -0.2	71 (22.7%) -0.1	38 (12.1%) -1.9	50 (16.0%) -1.2
Chi-squared(6) = 26.138, P = <0.0001							
Clients receive a similar service							
	Strongly agree	Agree	Neither	Disagree	Strongly disagree		
2008	287 (32.7%) 0.7	485 (55.2%) 0.3	38 (4.3%) -1.2	59 (6.7%) -0.6	10 (1.1%) -1.2		
2012	78 (27.6%) -1.2	148 (52.3%) -0.5	23 (8.1%) 2.1	25 (8.8%) 1.0	9 (3.2%) 2.0		
Chi-squared(4) = 14.788, P = 0.005							
Jobseekers' preferences are influential in determining what activities are recommended to them							
	Not at all influential	Somewhat influential	Quite influential	Very influential			
2008	27 (2.7%) 0.2	242 (24.6%) -1.3	456 (46.3%) -0.2	260 (26.4%) 1.6			
2012	8 (2.4%) -0.3	111 (32.7%) 2.2	164 (48.4%) 0.4	56 (16.5%) -2.8			
Chi-squared(3) = 17.002, P = 0.001							
Decisions you make about your jobseekers determined by standard programme rules and regulations							
	1 Very little	2	3	4	5	6	7 A great deal
2008	13 (1.4%) -0.5	20 (2.2%) -0.5	48 (5.2%) -0.1	130 (14.1%) -0.3	231 (25.0%) 0.4	235 (25.5%) -0.3	246 (26.7%) 0.4
2012	7 (2.3%) 0.9	10 (3.2%) 0.9	17 (5.5%) 0.2	48 (15.5%) 0.5	69 (22.3%) -0.7	84 (27.2%) 0.4	74 (23.9%) -0.7
Chi-squared(6) = 4.120, P = 0.660							

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<t4><cap>Table 4
Creaming/parking practices at the UK frontline</cap>

Number of jobseekers not participating in an activating and not looking for work							
	Frequencies			Mean		Standard deviation	
2008	1,010			10.53		16.57	
2012	369			14.08		17.92	
t-test(1377) = -3.444				P = 0.001			
Number of jobseekers you do not follow at all							
Year	Frequencies			Mean		Standard deviation	
2008	945			16.84		32.06	
2012	317			19.14		34.17	
t-test(1260) = -1.088				P = 0.277			
The practice in my agency is to pick out the most capable jobseekers and give them the best service							
	1 Strongly agree	2	3	4	5	6	7 Strongly disagree
2008	55 (5.9%) -1.1	50 (5.4%) -1.1	76 (8.2%) -0.3	123 (13.2%) -1.6	143 (15.3%) -0.4	186 (20.0%) 1.4	299 (32.1%) 1.6
2012	31 (9.8%) 2.0	28 (8.8%) 1.8	29 (9.1%) 0.5	68 (21.5%) 2.8	55 (17.4%) 0.7	39 (12.3%) -2.4	67 (21.1%) -2.7
Chi-squared(6) = 38.503, P = <0.0001							
Our organization has targets for certain types of clients/jobseekers							
	Strongly agree	Agree	Neither	Disagree	Strongly disagree		
2008	364 (41.5%) 1.0	358 (40.8%) -0.1	65 (7.4%) -0.6	53 (6.0%) -1.5	38 (4.3%) 0.2		
2012	97 (33.3%) -1.7	121 (41.6%) 0.2	28 (9.6%) 1.0	34 (11.7%) 2.7	11 (3.8%) -0.3		
Chi-squared(4) = 14.568, P = 0.006							
I use our information technology system to track priority clients/jobseekers							
	Strongly agree	Agree	Neither	Disagree	Strongly disagree		
2008	107 (12.1%) -0.1	401 (45.4%) 0.4	222 (25.1%) -0.4	125 (14.2%) -0.3	28 (3.2%) 0.1		
2012	35 (12.4%) 0.1	117 (41.3%) -0.8	79 (27.9%) 0.7	44 (15.5%) 0.5	8 (2.8%) -0.2		
Chi-squared(4) = 1.817, P = 0.769							
In my job, clients/jobseekers are organized into formal and informal priority groups							

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
2008	76 (8.6%) -0.6	230 (26.2%) -0.7	239 (27.2%) 0.0	230 (26.2%) 0.6	104 (11.8%) 0.8
2012	20 (12.8%) 1.5	54 (34.6%) 1.7	42 (26.9%) -0.1	31 (19.9%) -1.3	9 (5.8%) -1.9
Chi-squared(4) = 12.481, P = 0.014					

</t4>

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<t5><cap>Table 5

Placements by the UK frontline staff</cap>

	Frequencies	Mean	Standard deviation
Number of jobseekers you placed into regular work in the last month			
2008	711	5.48	6.05
2012	241	9.10	8.70
t-test(322.09) = -5.980		P = <0.0001	
Number of jobseekers you placed into regular work in the last month as percentage of your caseload			
2008	627	14.65	17.08
2012	240	9.68	13.10
t-test(560.65) = 4.571		P = <0.0001	
Number of jobseekers you placed into regular work last year			
2008	470	53.40	70.63
2012	141	83.48	85.28
t-test(201.01) = -3.815		P = <0.0001	
Number of jobseekers you placed into regular work last year as percentage of your caseload			
2008	409	32.34	25.41
2012	141	26.66	21.28
t-test(287.573) = 2.593		P = 0.010	
Proportion of the clients that are 'more difficult to place into a job'			
2008	1,077	40.51	25.99
2012	385	36.06	23.33
t-test(747.49) = 3.111		P = 0.002	

</t5>

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<t6><cap>Table 6

Frontline flexibility/autonomy, service tailoring and placements overtime in the UK and Australia (2008–12)</cap>

	Significant difference?	
	UK	Australia
Flexibility/autonomy		
When it comes to day-to-day work I am free to decide for myself what I will do with each client/jobseeker	No	Yes, decreased
I use a lot of personal judgement to decide what is best for each client/jobseeker	No	Yes, decreased
I am often asked to suggest ways to improve things	No	Yes, decreased
My supervisor knows a lot about the work I do day-to-day	No	Yes, decreased
When I come across something not covered by the procedural guide, I refer it to my supervisor	No	Yes, decreased
Our computer system tells me what steps to take with clients/jobseekers and when to take them	No	Yes, increased
Your say in how you do your job	No	Yes, decreased
Your say in the order you perform tasks	No	Yes, decreased
Your say in speed at which you work	No	Yes, decreased
Your say in changing how you do your job	Yes, increased	Yes, decreased
Your say in how you engage with clients	No,	Yes, decreased
Leeway in deciding which programme or activity your jobseekers should be assigned to	No	Yes, increased
The extent the IT system you use dictates how you do your job	Yes, increased	Yes, decreased
Answers to a standard set of assessment questions are essential in determining what activities are recommended to them	No	No
Use the answers to any form of standard client classification (profiling) or checklist when deciding how to work with a client/jobseeker or any other course of action	Yes, decreased	Yes, increased
Service tailoring		
Agency emphasize jobseeker choice in the services they receive	Yes, decreased	Yes, decreased
Clients receive a similar service	Yes, decreased	No
Jobseekers' preferences are influential in determining what activities are recommended to them	Yes, decreased	Yes, increased
Decisions you make about your jobseekers determined by standard programme rules and regulations	No	Yes, increased
Creaming/parking		

Number of jobseekers not participating in an activating and not looking for work	Yes, increased	Yes, increased
Number of jobseekers you do not follow at all	No	No
The practice in my agency is to pick out the most capable jobseekers and give them the best service	Yes, increased	No
Our organization has targets for certain types of jobseekers	Yes, decreased	No
I use our information technology system to track priority jobseekers	No	No
In my job, jobseekers are organized into formal and informal priority groups	Yes, increased	Yes, decreased
Placements		
Number of jobseekers you placed into regular work in the last month	Yes, increased	Yes, decreased
Number of jobseekers you placed into regular work in the last month as percentage of your caseload	Yes, decreased	Yes, decreased
Number of jobseekers you placed into regular work last year	Yes, increased	Yes, decreased
Number of jobseekers you placed into regular work last year as percentage of your caseload	Yes, decreased	Yes, decreased
Proportion of the clients that are 'more difficult to place into a job'	Yes, decreased	Yes, decreased

</t6>

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