

ACTIVITY 1.4.3



In terms of the general principle of payment by results, can you think of five positive and five negative aspects that could arise? Record the main points that arise from the discussion here:

Five positive points:

- 1.
- 2.
- 3.
- 4.

5.

Five negative points

1.

2.

3.

4.

5.



Looking at the payment by results schedule given, you can see that a 'result' can be when a job seeker starts the programme, or some other form of milestone – such as then being referred on to and starting a training programme.

However, it can be seen that by far the largest funding amounts in this example are based on results that are 'end-loaded' – i.e. they come after activity has taken place – such as getting a qualification at the end of the course, or staying in a job after the initial job placement is secured.

More generally, some studies have suggested that running payment by results in job seeking contracts can have some advantages, including:

- Everything is clear – it can help having to focus on specific results and targets
- Flexibility – how something is done, or what is done, is less important than how effective it is
- Efficiency and reward – providers are paid on what they achieve, or the 'outputs' of their service, rather than what they spend, or the 'inputs'. If they are efficient, they can make surpluses from the funding, which can be used in flexible ways or to reinvest in the service.

However, some studies have suggested a number of disadvantages with payment by results schemes in public employment programmes. These can include:





- Financial risks for providers – it can be difficult to predict with any certainty how ‘successful’ any programme can be and therefore there may not be any guarantee of covering costs with payments. In other words, providers can lose money!
- Waiting for the result payment to be achieved, and then claimed and verified can cause cash-flow challenges for providers, and it can also require significant financial and human resources investment both pre-contract and during the contract before being paid.
- “Cherry picking” – where providers are reluctant to take on job seekers with more complex problems, for fear of it being harder to ‘get a result’ and therefore appear to get poorer results (i.e. lower job placement rates) – or not get paid. This can lead to ‘parking’ and ‘creaming’ – where such job seekers are set aside or neglected (parking), while others who may be easier to ‘get a result’ are focused upon, as providers target ‘easier’ job seekers for attention (‘creaming’ – i.e. ‘taking the cream’).
- Forcing providers to concentrate on getting specific results to get paid can discourage innovation and trying something different or different to see if it succeeds.

