

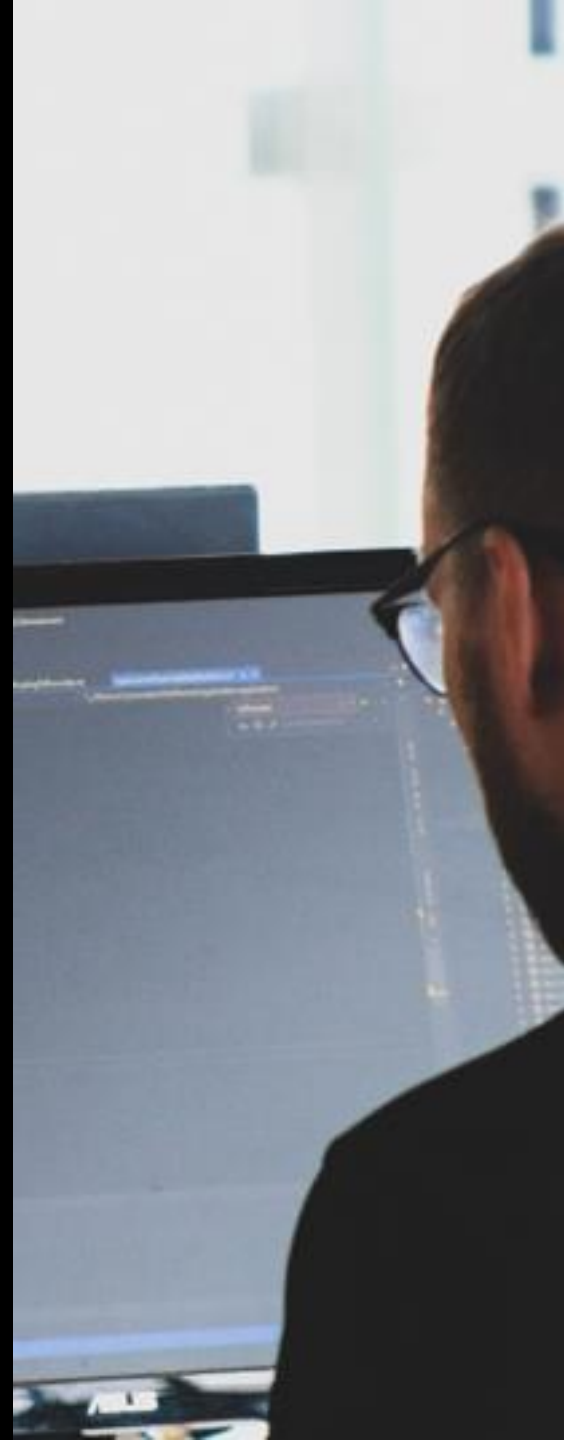


Costs and benefits comparison social enterprise employment and Disability Employment Services

White Box Enterprises

August 2024

We find the patterns that matter



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Executive summary



Background & Approach

Taylor Fry has been asked to review the costs and benefits of the White Box Enterprises Payment By Outcome (PBO) trial, which places people with disability into employment with social enterprises. This updates the analysis completed in June 2023; more data has been collected and so costs and benefits can be made with greater certainty.

For our main results, we have projected outcomes for a prospective cohort participating in the trial based on available data and compared this to a counterfactual. The counterfactual used is the trajectory for the same cohort in the Disability Employment Service (DES). Cashflows considered include employment earnings, welfare benefits, income tax, DES program costs, PBO payments and additional GST.

Data used for the work includes summarised trial data up until 30 April 2024 provided by White Box, as well DSS validated data up until 31 March 2024, plus publicly available information related to the DES program and welfare receipt. We have also reviewed the reconciliation of DSS-collected outcomes to White Box figures to validate the PBO data.

The PBO trial looks at a small subset of individuals who have been unemployed for more than nine of the last 12 months with the DES program, along with other specific criteria. White Box is not suggesting social enterprise is the solution for all DES participants, rather an option that could sit alongside DES in the national employment services system that specifically focuses on individuals with complex barriers to work.

The projection involves setting assumptions for elements such as:

- Retention of employment for participants, and transition to competitive employment
- The distribution of income earned while employed as part of the trial
- Welfare characteristics, such as the balance between Jobseeker and Disability Support Pension (DSP) beneficiaries
- Outcome rates and earnings for participants in the DES program
- Welfare and earnings trajectories for people who exit the PBO.

While there are significant uncertainties, in most cases we have attempted to be conservative in our assumption setting. This means that true benefits of the PBO could prove to be larger than currently projected.

Detail around assumptions and limitations are discussed in greater detail on p11 and p23.

Main results comparison

Personal income comparison

(Welfare + Employment income after tax)

	Counter-factual (baseline)	PBO	Diff., \$	Diff., %
Year 1	23,750	30,100	+6,350	+27%
Year 2	24,600	28,900	+4,300	+17%
Year 3	25,450	28,500	+3,050	+12%
Year 4	26,250	28,500	+2,250	+9%
Year 5	27,050	28,600	+1,550	+6%
Total	127,100	144,600	+17,500	+14%

Under the PBO, individual-level income (including welfare) is \$17,500, or 14%, higher over five years. Employment-only income differences are far higher - \$40,300 increased earnings over five years.

Fiscal impact comparison

(Welfare + PBO + DES – Income tax – GST)

	Counter-factual (baseline)	PBO	Diff., \$	Diff., %
Year 1	24,550	19,700	-4,850	-20%
Year 2	23,200	19,250	-3,950	-17%
Year 3	22,100	16,500	-5,600	-25%
Year 4	20,950	16,700	-4,250	-20%
Year 5	20,050	16,800	-3,250	-16%
Total	110,850	88,950	-21,900	-20%

Under the PBO, fiscal costs are \$21,900, or 20%, lower over five years.

Main results - discussion

Consistent with previous results, the trial appears to be delivering good results on the twin goals of improved personal income and reduced fiscal costs. The results appear strong and are robust against changes to the assumptions (scenario table right).

Benefits to individuals and government remain substantial even if:

- Employment retention rates (continuance rates) were lower than currently observed
- More people transitioned to competitive employment or earned above the upper threshold (triggering more outcome payments)
- The Disability Employment Service (DES) performs significantly stronger than assumed
- The initiative was applied to a different welfare cohort, such as a greater fraction of DSP clients.

Given some conservatism and uncertainty in the assumption setting, future estimates will likely be impacted by evolution in employment retention rates, movements into competitive employment, and trajectories once the PBO is completed.

Impact of PBO versus counterfactual under selected assumption changes

Scenario	Impact, personal income (positive means PBO generates more money for the individual)	Fiscal impact (negative means PBO is less cost to government)
Baseline	+\$17,500	-\$21,900
High continuance, +1pp	+\$22,700	-\$29,800
Low continuance, -1pp	+\$10,300	-\$10,600
2× transition rate to competitive employment	+\$15,500	-\$17,300
DES outcomes doubled	+\$9,200	-\$17,100
DSP 50% of caseload (and counterfactual DES outcome rate reduced by 20%)	+\$17,300	-\$16,500
Greater fraction above upper income threshold +10pp	+\$19,100	-\$23,300

Conclusions

Main themes

Our modelling shows that overall net fiscal costs are \$21,900, or 20%, lower over five years compared to DES participation. That is, the PBO appears to deliver significant value to government. Including private benefits strengthens this further.

This result reflects, compared to DES:

- The value of **immediately placing people into employment**, leading to much higher rates of employment outcomes
- The **strong retention rates**, with trends suggesting higher conversions to continued employment at 26 and 52 weeks relative to DES
- Good levels of income earned, with **fortnightly income well above target thresholds** in some instances. The ability to track income is valuable.
- Relatively low fiscal risk, since **payments are tightly aligned to sustained income**. Payments are only made if employment is sustained, which ensures that, under a variety of scenarios, government is ahead fiscally. Even if more people achieve later outcomes than modelled, we expect government welfare savings to be greater

Scaling individual-level results to potential program and system savings

The current trial size of 132 people and per-person benefits implies the approach is delivering, over five years:

- \$2.9m incremental benefit to government
- \$2.3m individual-level benefits

If the approach could be scaled (noting the potential challenges of rapidly growing the social enterprise market), fiscal benefits would likely scale similarly. For example, a program that placed 10,000 people (about 4% of the Dec-22 DES caseload size) would see fiscal benefits of \$220m over a five-year period.

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Introduction



Background

Introduction to the PBO

- White Box Enterprises manages a Payment By Outcome (PBO) trial for employment of people with disability in partnership with the Department of Social Services. The trial places people with social enterprise employers, where they may stay or transition to competitive employment. A series of outcomes are paid by the Department of Social Services (DSS) if people achieve the threshold number fortnights employed with income above a certain level.
- Employment outcomes are eligible for payments after 13, 26, 39 fortnights of employment. There are additional outcomes payments for people who have transitioned to competitive employment (13 and 26 fortnights in competitive employment, above wage threshold), which can be paid concurrently with the other retention outcomes.
- Participants are required to meet eligibility criteria, including eligibility for the Disability Employment Service (DES), unemployed for 9 of the previous 12 months and currently receiving Jobseeker or Disability Support Pension (DSP) payments.
- The current trial size had a target intake of 150 people, and reached 132 total enrolments by September 2023, the end of the enrolment period. At the end of April 2024 there remained 100 people currently enrolled, across 17 social enterprises or in competitive employment.
- The trial has been running for 22 months, sufficient time for reasonable experience to develop.

Outcome payment schedule for the PBO

Outcome	ID	Length	Employed Where	Fortnightly Income Threshold (23-24)	Outcome payment (Exc GST)
Supported Retention Outcomes	SRO1	13 Supported Qualifying Fortnights	Social enterprise	24h/fn x nat. min. wage for adults \$557.52/fn	\$10,000
	SRO2	26 Supported Qualifying Fortnights (additional 13fns)		40h/fn x nat. min. wage for adults \$929.20/fn	\$10,000
	SRO3	Supported Qualifying Fortnights (pro rata fns, max. 13fns)			\$700/fn (up to \$9,100)
OR Transitional Retention Outcomes	TRO1	13 Supported Qualifying Fortnights	Combination of both Social enterprise and competitive employer	40h/fn x nat. min. wage for adults \$929.20/fn (combination of PSE and competitive employment income)	\$10,000
	TRO2	26 Supported Qualifying Fortnights (additional 13fns)			\$10,000
	TRO3	Transitional Retention Fortnights (pro rata fns, max. 13fns)			\$700/fn (up to \$9,100)
Competitive Employment Outcomes	CEO1	13 Competitive Qualifying Fortnights	Must be working at a competitive employer	40h/fn x nat. min. wage for adults \$929.20/fn (competitive employment)	\$8,500
	CEO2	26 Competitive Qualifying Fortnights			\$8,500

Report scope

Scope of this report

Taylor Fry has been asked to review the costs and benefits of the PBO based on performance to date. This is a similar scope to our previous report. There has now been 22 months of experience, compared to 9 months previously

- The main comparison is to the equivalent costs and benefits under DES, for which the PBO can be regarded as a diversion. Our analysis includes comparison of employment and retention rates.
- The scope includes consideration of both fiscal and private income benefits.
- We have modelled a **prospective cohort** over a five-year period, rather than attempting to model detailed cashflow timings for the current cohort of participants. Results for the current cohort are expected to be similar, but staggered.

Status of this report

This report is a first draft and is withdrawn upon the issue of a revised draft or final version.

Comments on results

Limitations

As with any similar analysis, the results are subject to limitations. Some key points to note:

- **Our estimates include extrapolation of experience** – There is significantly more evidence than last review, so we have greater confidence in trends than the previous report, but it is a virtual certainty that actual experience over five years will depart from our projection to some degree.
- **Cohort sizes are moderate.** We report uncertainty at various points, but some trends (such as rate of movement into competitive employment) will carry material uncertainty due to small sample sizes.
- **We have erred on the side of conservatism** for several assumptions where there is uncertainty. This is flagged throughout. Our largest source of conservatism is likely assuming that people who exit the PBO have a trajectory equivalent to the people with the same amount of time in DES, despite their more recent work experience.

Further considerations and limitations around assumptions are discussed at the end of Section 3

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Data, experience and
assumptions



Data sources

We have been provided with trial data:

- Summary-level details covering enrolment dates, outcomes, incomes, months active and transitions to competitive employment. This covers the period July 2022 to April 2024.
- Department of Social Services DSS outcome data related to the PBO to the end of March 2024, to ensure alignment between DSS and White Box tracked outcomes.

Beyond the check for consistency with the DSS validation files, we have not attempted further independent verification of the data provided. We have found it reasonable and internally consistent, and have relied on the trial data as supplied.

Additionally, we have drawn from publicly available information in the setting of welfare and DES trajectories:

- The DES mid-term review¹
- Priority Investment Approach valuation reports²
- Budget portfolio statements³
- DES Caseload and demographic data⁴
- AIHW trends in DES outcome rates.⁵

¹ https://www.dss.gov.au/sites/default/files/documents/05_2021/des-mid-term-review-august-2020-v2.pdf

² https://aga.gov.au/sites/aga.gov.au/files/sites/aga.gov.au/files/publications/2022-04/2020_PIA_Valuation_Report.pdf

³ https://www.dss.gov.au/sites/default/files/documents/05_2023/2023-24_pbs.pdf

⁴ <https://data.gov.au/dataset/ds-dga-f0a105c0-8542-4720-9f6c-69769f7c4dee/details?q=>

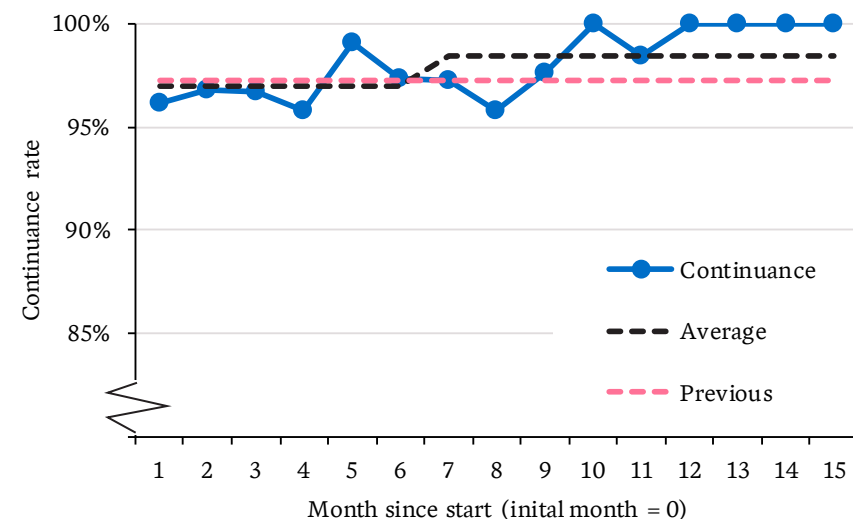
⁵ <https://www.aihw.gov.au/reports/australias-disability-strategy/australias-disability-strategy-outcomes-framework/contents/employment-and-financial-security/economic-participation>

Summary of employment experience to date

We have been provided with data on performance to date:

- Enrolments began in July 2022 and finished in September 2024. They averaged 9 per month, totalling 132. Of these, 100 remain employed in April 2024.
- The monthly continuance rate (fraction of people in employment in month $t+1$, assuming they were employed in month t) remains very high. Last year we assumed a rate of 97.3%. We have updated this, now that there is good evidence of higher retention rates after the first six months:
 - 97.0% for the first six months (90% confidence interval [95.9%, 98.0%])
 - 98.5% thereafter (confidence interval [97.7%, 99.3%])
- Retention compares favourably to DES; our assumed 26% conversion rate for 52-week outcomes implies a monthly retention rate of 90%.
- There is evidence of even stronger continuance rates beyond 12 months, that we have not fully reflected in the assumptions – in fact, there is no net loss in employment for anyone who has reached 12 months.
- The net impact is a significantly higher fraction of the cohort is expected to remain employed at key milestones.

Probability that employment continues in that month, of those employed in the previous month



Assumption
summary
box

- Assumed monthly continuance rate for projection of 97.0% for the first six months and 98.5% thereafter. This may well be **conservative**, since continuance may improve further with duration.
- We assume an average of 16 elapsed fortnights to accrue a 13-fortnight outcome (implying some breaks/pauses), and similar for subsequent outcomes

Competitive employment transitions

- To date there have been 19 people who have moved to competitive employment, 14% of the 132 starters.
- As done previously, we have set an assumption for transition rates after the first three months (low rates are expected initially).
- Transition rates into competitive employment have remained stable at 1.7% of the cohort per month (90% confidence interval relatively wide at [1.1%,2.4%]).
- This is consistent with about 18% of the starting cohort being in competitive employment after three years (just over a third of those projected to be still employed).

We assume 1.7% of people in the trial transition to competitive employment every month after the third. About a third of those still employed are expected to be in competitive employment in the third year after starting in the trial.

Income earned

Current income data was provided for 82 people who have commenced:

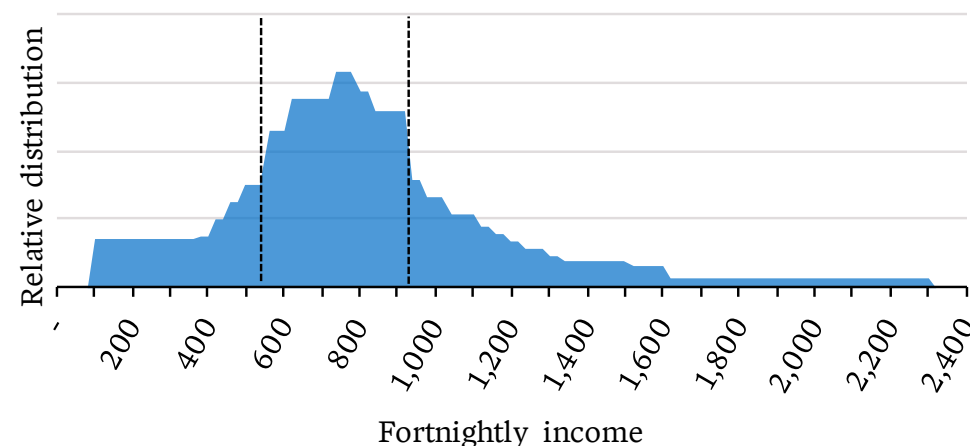
- 80% of people have an income above \$557.52, the minimum threshold for the first milestone payment. This compares to 78% previously.
- 28% of people have an income above \$929.20, the minimum threshold for the later milestone payments. This is down slightly compared to last year's report. We acknowledge that this is just a snapshot – some people may have some qualifying fortnights at the higher rate if their income varies over time.

We have used a more detailed employment income distribution to model welfare abatement, personal income and tax paid. This is shown on the right. Averaging across the distribution:

- Annualised average net income is \$19,700.
- Average annual income tax paid is \$640 per year. This recognises the tax changes in the 2024-25 Budget.

We have not explicitly modelled wage changes over time (e.g. is there evidence of a higher fraction above the second threshold when they transition to competitive employment) – this makes our assumption setting somewhat conservative.

Assumed distribution of fortnightly income for those employed



- Assumed the income distribution fixed (in real terms) over time. This is **potentially conservative**, since income might be expected to increase as capability is built and people transition to competitive employment.
- Assumed a constant rate of 80% of people earn above the lower threshold and 28% above the upper threshold.
- Assumed a more detailed employment income distribution for modelling welfare, income and tax. Average net income per year is \$19,700 and average income tax is \$640.

Summary of outcome payments

Enough time has now passed for a range of PBO outcomes, summarised in the table to the right.

- As at April 2024, **67% of participants have achieved the 13-fortnight outcome milestone**. This compares to ~80% of people expected to have retained employment for this time, reflecting the fraction earning below the \$557 threshold.
- Outcome rates for other payments are lower, reflecting the lower fraction of the cohort earning above \$929.
- Our modelled rate of outcome (for a new prospective employment) are slightly lower again; this reflects a lower fraction of people above the higher income threshold among more recent starters.

The work suggests that despite a relatively high rate of employment (e.g. half expected to be still employed after three years), outcome rates are likely to be materially lower.

Outcome payment numbers, rates and (forward-looking) modelled rates

Enrolment quarter	Number enrolled	13 f/n SRO1/TRO1	26 f/n SRO2/TRO2	SRO3/TRO3	CEO1	CEO2
Sep-22	30	22	11	5	3	-
Dec-22	29	21	8	-	1	-
Mar-23	22	16	3	-	-	-
Jun-23	21	17	-	-	-	-
Sep-23	30	13	-	-	-	-
Average outcome rate (of appropriately matured rows)		67%	27%	17%	7%	
Modelled ultimate for new (prospective) cohort		63%	19%	17%	6%	5%

Validation of payment information using DSS data

We have compared tracked outcomes from the two available sources (White Box tracking and DSS’s tracking, which relies on linkage). Most issues with linkage have been resolved and outcome numbers align closely (albeit not exactly).

Overall outcome numbers differ by one, and we regard this as a robust validation that White Box numbers are reflected on Government administrative datasets.

Comparison of White Box (May 2024) and DSS (March 2024) tracking of outcomes

Qtr	13 f/n SRO1/TRO1		26 f/n SRO2/TRO2		SRO3/TRO3	
	White Box	DSS	White Box	DSS	White Box	DSS
Sep-22	22	22	11	11	5	5
Dec-22	21	21	8	9		
Mar-23	16	17	3	4		
Jun-23	17	16				
Sep-23	13	12				
Total	89	88	22	24	5	5
Diff		-1		2		0

Assumptions – other cohort characteristics

In defining the target cohort for the PBO (and its counterfactual), we have assumed:

- A 90%-10% balance between Jobseeker and Disability Support Pension (DSP), consistent with the DES program.
- 20% of the cohort is receiving Commonwealth Rent Assistance. This is difficult to verify with public data but is probably conservative.

These are unchanged from last year's report. DES also includes participants not on income support, but PBO eligibility rules preclude this cohort from entering the trial.

This assumed composition can be used to derive expected welfare receipts in the absence of employment. We have included the 10% CRA increase announced in the 2024-25 budget.

Under these assumptions, average welfare benefits for participants without employment for a full year are \$20,900 p.a.

We have not attempted to adjust for other demographic characteristics:

- **Age** – while about 20% of the DES cohort is aged under 30, 80% of the current PBO cohort is under age 30. This may be anti-conservative, as younger people tend to have better employment outcomes so the PBO cohort may naturally have more employment.
- **Partner status** – We have assumed single welfare rates. Welfare abatement is similar for those partnered, although benefits calculations are more complex as partner income would need to be accounted for.
- **Funding level band** – We do not have program information about what DES funding band participants would be in. Outcome rates can vary markedly by funding band, so in principle a skew should be accounted for.
- **Benchmark hours** – DES participants have a benchmark target of 8, 15, 23 or 30 hours per week, depending on functional capacity. 15 hours is most common. We have implicitly assumed a similar distribution for the PBO in our comparison.

Additionally, the PBO trial applies eligibility criteria (welfare receipt, absence of employment). These should make the target cohort 'tougher', adding a layer of conservatism compared to the general DES cohort.

Assumptions – Counterfactual

We have made a series of assumptions about how the DES cohort would have travelled through DES and the welfare system, in the absence of the PBO trial. We refer to this as the counterfactual.

Note that DES outcomes tend to refer to weeks rather than fortnights.

We assume:

- About a quarter will see a 26-week full employment outcome over five years (slightly faster rate in the first two). This is designed to be consistent with numbers in the 2020 DES Mid-term review (for example see exhibit 20).
- Welfare receipt is assumed to decrease only slowly (5% in first year, 2.5% thereafter) – reflecting low outcome rates, plus high rates of welfare even after achieving an employment outcome. We’ve also been informed by the Priority Investment Approach exit rates.
- DES costs of \$3,950 in the first year and decreasing thereafter. Designed to be compatible with the DES Mid-term review, budget statements and caseload data.
- Compared to last year’s report, we have strengthened assumed DES outcome rates by 10%. This is to reflect a stronger employment environment and is consistent with an increased number of 52-week outcomes (AIHW disability outcomes report).

Income and tax information for the DES cohort is more problematic for assumption setting (as data is typically not well recorded on this, and little is public):

- Currently we have a simple assumption that all decreases in welfare are generated by a sub-cohort earning about \$1,120 a fortnight. This would be enough to half welfare receipt.
 - This is likely to be **conservative**, in the sense that it does not explicitly allow for discouraged jobseekers dropping out of the workforce, and the \$1,120 is higher than the typical minimum wage of \$700 a fortnight for those on the 15-hour benchmark.
 - The assumption implies about 27% earning income in Year 5, compared to the cumulative 26% level of 26-week outcomes, which appears compatible.

Assumptions – Counterfactual (cont'd)

Combining counterfactual assumptions gives a schedule of different cashflows across five years.

DES outcome rates are relatively low – while consistent with program data, there may be some leakage in the estimates.

The low rate of outcomes mean that the program cost per outcome is relatively high, estimated above \$30k per 26-week outcome in the mid-term review.

Per participant outcomes and costs for the counterfactual

	Cumulative proportion of caseload with 26-week outcome	Welfare receipt (\$)	DES Costs (\$)	Net employment earnings (\$)	Income Tax Paid (\$)
Year 1	11%	20,700	3,950	3,050	100
Year 2	15%	20,100	3,350	4,500	250
Year 3	19%	19,600	2,850	5,850	350
Year 4	23%	19,000	2,400	7,250	450
Year 5	27%	18,500	2,050	8,550	500
Total	27%	97,900	14,600	29,200	1,650

We have assumed that if people were not in the PBO they would have welfare and employment tracks consistent with the table

Assumptions – Welfare, income and tax

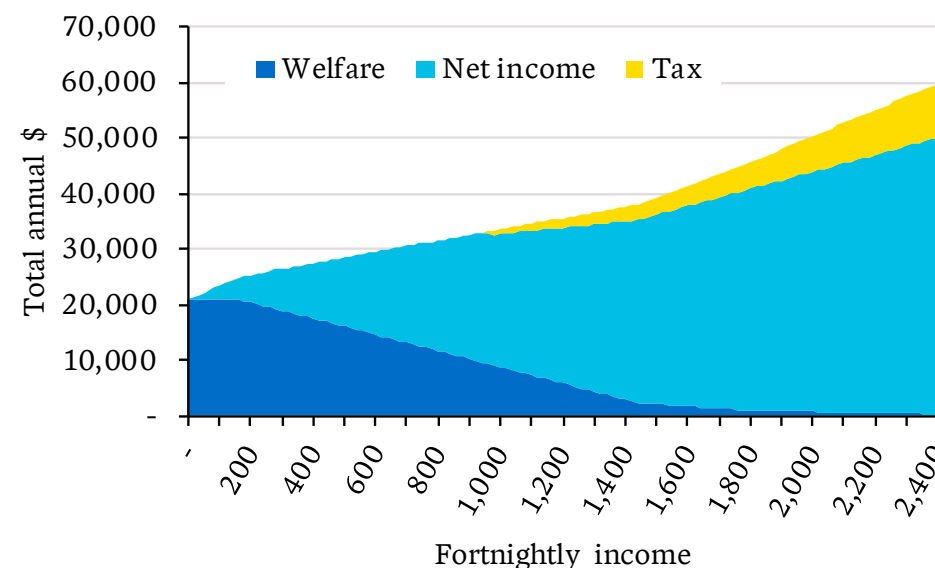
We have applied a schedule of welfare abatement (averaged across Jobseeker and DSP) and income tax (2023-24 schedule) to determine the allocation between welfare / income / tax as fortnightly income grows.

Our main simplifying assumption is that income persists over the full year. In practice part-years mean the tax take might be lower in the first year, which we have scaled down manually in main results table.

Income tax paid is minimal up to \$1,000 income per fortnight; this is reflected in the results.

We also assume 5% of additional income is collected as GST. The assumption is below the 10% to recognise exclusions (e.g. fresh food, rent) and saving behaviours.

Balance between welfare, net employment income and income tax as a function of employment income



- Used 2023-24 tax tables applied to income distribution
- Assumed no allowance for other benefits beyond income support and Rent Assistance (e.g. Family Tax Benefits)
- Assumed 5% of additional income recognised as increased GST receipt

Further assumptions

Some further assumptions and considerations:

- **People, once they drop out of the PBO, resume a track consistent with the counterfactual.** That is, the year 4 outcomes for a person who exits with three years of PBO employment has identical welfare and employment to someone in their fourth year after entering DES. This is likely conservative as the employment experience is likely to lead to better outcomes.
- **We have assumed no selection effects.** Selection effects occur if enterprise employers select 'better' prospects among those they consider for referral. We have no direct way of verifying the degree of selection effects, but understand that the existing eligibility rules are the primary tool for assessing suitability for the trial, reducing this risk.
- **We have not applied inflation and discounting effects.** Welfare and income would increase slightly over time, and it is also typical to discount future values for the time value of money. These are roughly offsetting and likely small relative to other uncertainties – but we are happy to add these if needed.
- **We have extrapolated to a five-year window.** This is done in a fairly conservative way and results from a smaller number of years can be adopted if desired.

- **We have excluded DES costs while people participate in the PBO.** We understand that in reality some current participants remain enrolled in DES and additional fees are payable to the DES provider as outcomes accrue (even if they play a very limited role in support). However, for our prospective analysis we have assumed that there are no DES costs while in the PBO, which is the intended design.
- **We have attempted a simple labour market adjustment for our counterfactual.** The current labour market is significantly stronger than the past few years, altering some trajectories. However, this strength is likely to help both DES and PBO participants, so it is unclear how they are relatively affected by the change. We have included a scenario where the DES outcome rate is significantly higher.
- **We have assumed no other earnings in our calculations** (e.g. investment, or second jobs).
- **We have not considered employment substitution effects.** In our setup, we effectively assume that social enterprise employment are additional jobs. If the trial was a substitution (e.g. an employer hires through the PBO where they previously received DES placements), this would alter results.

Fairness of the DES comparison



In the assumption setting process we have attempted to produce a fair comparison. To summarise some of the potential issues:

- Comparability of caseloads. The comparison is not matched, due to insufficient public data on DES. The two significant differences are that the PBO cohort is younger, and the PBO cohort is subject to an unemployment duration test (9 months of the previous 12) – we expect these to be somewhat offsetting.
- Income distributions for people achieving employment in DES are unknown. We believe we have been generous to DES by assuming \$1,100 per fortnight, even for people on lower benchmark hours.
- DES trends vary with the economic cycle. We have attempted to allow for a stronger labour market
- One large driver of the overall results is that the PBO places people in employment directly, whereas DES does not. We think this is fair given the model designs (although has implications for how the PBO can be scaled up), and the PBO has significantly stronger retention rates in any case.

4



Results

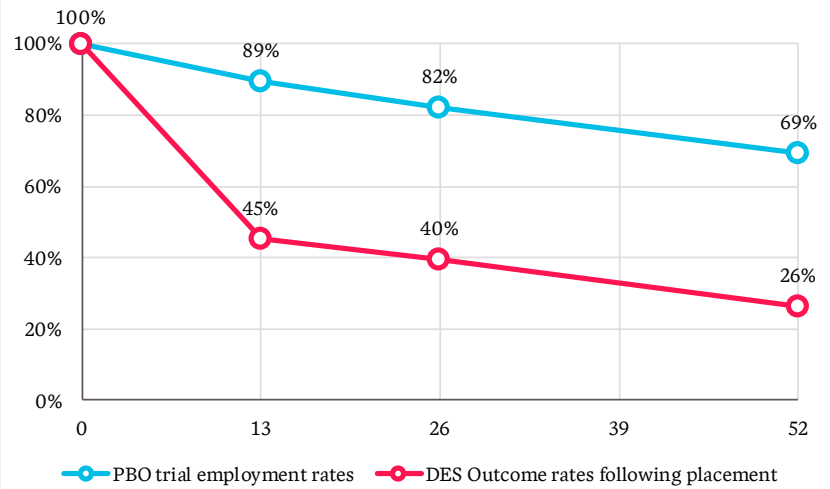


PBO projection

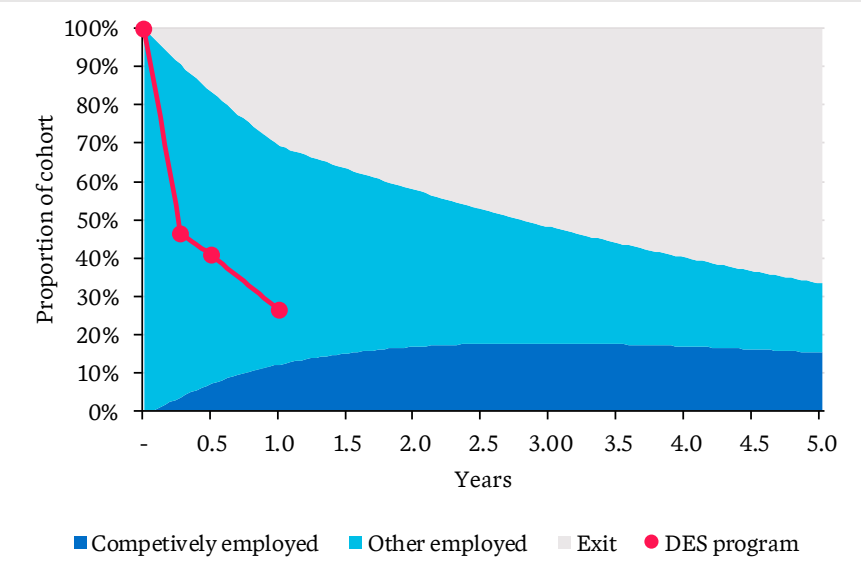
- We first project the employment status of the PBO participants, shown on the right – we project 69% remaining in employed after a year, and 58% after two years and 48% after three.
- The implied outcome rates across milestones are shown in the table below. The current projection assumes relatively low rates of competitive employment outcomes CEO1/CEO2. This is partly the drop-off assumptions of employment rates, but mostly the lower proportion of incomes above the higher threshold.
- The chart & table right shows the strength of PBO employment retention relative to our DES program counterfactual.

Milestone	Max	Average per person	Receipt rate
SRO1/TRO1	\$10,000	\$6,350	63%
SRO2/TRO2	\$10,000	\$1,860	19%
SRO3/TRO3	\$9,100	\$1,510	17%
CEO1	\$8,500	\$530	6%
CEO2	\$8,500	\$430	5%
Total	\$46,100	\$10,680	

Projected employment status for PBO participants – one year



Projected employment status for PBO participants – five years



PBO projection (cont'd)

- As with the counterfactual, combining assumptions allows cashflows to be calculated for people in the PBO. The table of results is shown right.
- Compared to the counterfactual, we see significantly higher income earned, particularly in early years.
- By design, the numbers in later years are more similar to those of the DES counterfactual – the last column shows the fraction of participants who have exited the PBO and (by assumption) then have outcomes similar to the DES trajectory.

Projected cashflows over five years for a PBO cohort, per person

	Welfare receipt (\$)	PBO payt (\$)	DES costs (\$)	Net employment income (\$)	Income Tax (\$)	Additional GST (\$)	Fraction back on DES pathway
Year 1	13,100	6,450	650	17,000	150	350	16%
Year 2	14,800	3,900	1,250	14,100	450	250	37%
Year 3	15,400	350	1,350	13,100	400	200	47%
Year 4	15,800	100	1,350	12,700	400	150	56%
Year 5	16,000	-	1,300	12,600	400	100	64%
Total	75,100	10,800	5,900	69,500	1,800	1,050	

Comparison of outcomes per participant

Personal income comparison (Welfare + Employment after tax)

	Counter-factual (baseline)	PBO	Diff., \$	Diff., %
Year 1	23,750	30,100	+6,350	+27%
Year 2	24,600	28,900	+4,300	+17%
Year 3	25,450	28,500	+3,050	+12%
Year 4	26,250	28,500	+2,250	+9%
Year 5	27,050	28,600	+1,550	+6%
Total	127,100	144,600	+17,500	+14%

Under the PBO, individual-level income is \$17,500, or 14%, higher over five years for the average participant

Fiscal impact comparison (Welfare + PBO + DES – Income tax – GST)

	Counter-factual (baseline)	PBO	Diff., \$	Diff., %
Year 1	24,550	19,700	-4,850	-20%
Year 2	23,200	19,250	-3,950	-17%
Year 3	22,100	16,500	-5,600	-25%
Year 4	20,950	16,700	-4,250	-20%
Year 5	20,050	16,800	-3,250	-16%
Total	110,850	88,950	-21,900	-20%

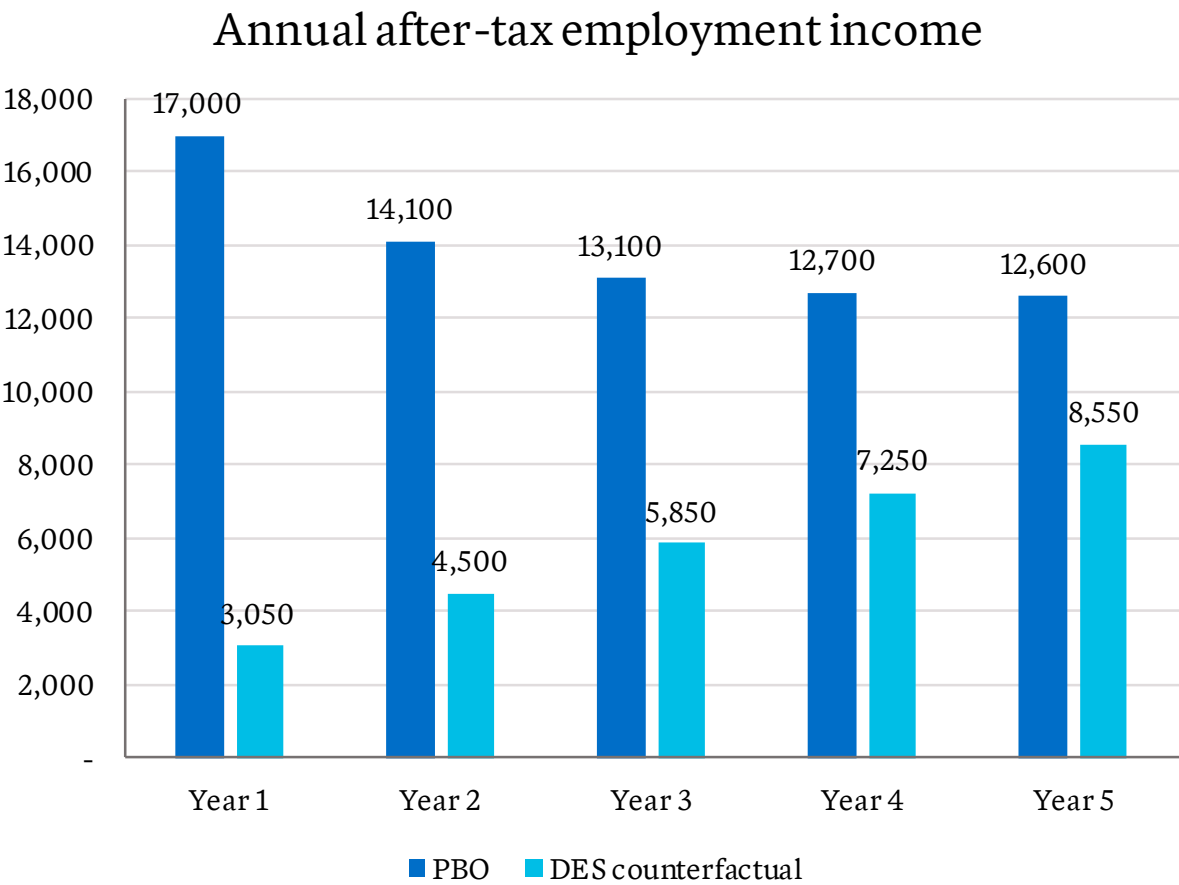
Under the PBO, fiscal costs are \$21,900, or 20%, lower over five years for the average participant

Difference in employment income

The difference in personal income shown on the previous page understates the difference in employment income, since this is counterbalanced by welfare payments.

The chart right shows our modelled difference in employment income, beginning with just under \$14,000 difference in year 1.

Overall, we estimate a \$40,300 increase in earned income (after tax) for people in the PBO over the counterfactual.



Discussion

- The result is very robust – modifying assumptions tends to still see significant positive impacts on personal income and fiscal costs.
- Ultimately this robustness is driven by four features:
 - Immediate placement into a job (compared to the slower rate for the DES program)
 - The high employment retention results observe to date
 - Outcomes being well tuned so that they only get paid when there is significant employment income, at a high enough rate to reduce welfare payments. The last scenario shows that **even if more outcomes are triggered, fiscal savings are expected to increase.**
 - Good income levels that reduce welfare benefits, and that these can be tracked.
- We believe that there could well be significant conservatism in the modelling. The model could be updated to show revised savings as evidence emerges of:
 - Rising Continuance rates for longer-duration participants
 - Income improvements for longer-duration participants
 - Increased transitions to competitive employment (which increases later milestone payments)
 - ‘Better than DES’ trajectories after trial entries.

Impact of PBO versus counterfactual under selected assumption changes

Scenario	Impact, personal income (positive means PBO generates more money for the individual)	Fiscal impact (negative means PBO is less cost to government)
Baseline	+\$17,500	-\$21,900
High continuance, +1pp	+\$22,700	-\$29,800
Low continuance, -1pp	+\$10,300	-\$10,600
2× transition rate to competitive employment	+\$15,500	-\$17,300
DES outcomes doubled	+\$9,200	-\$17,100
DSP 50% of caseload (and counterfactual DES outcome rate reduced by 20%)	+\$17,300	-\$16,500
Greater fraction above upper income threshold +10pp	+\$19,100	-\$23,300



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