Conclusion: The present and future of social service marketisation

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Introduction

After decades of change in every major service sector, market instruments can seem destined to organise the delivery and distribution of social services into the foreseeable future. While currently popular with governments across the political spectrum, market instruments are no more or less inevitable than other policy designs. The proliferation of social service markets, which are neither self-constituting nor self-regulating arrangements as anticipated by neoclassical economics, is the culmination of policy choices successive governments have made in favourable political and economic circumstances. Both the prevalence and political expediency of market instruments underscore the importance of understanding how marketisation has reshaped social service provision and contributed to ongoing problems.

The contributions to this volume have shown how inefficiency, low quality and inequality pervade many social service markets. Avoiding simplistic explanations that attribute these issues to either a few ‘bad apple’ service providers or an amorphous neoliberalism that is the sum of all negative developments in recent years, the chapters recognise the diversity
of market models and argue that the specific instruments employed have made social service provision susceptible to these problems and, in some cases, exacerbated them. This final chapter proceeds in three sections. First, to consolidate the contribution of this volume to research on social service marketisation, we reflect on the assembled findings. Second, we point to future research possibilities by providing an overview of aspects of marketisation in Australia that are yet to be fully explored. Third, given its unprecedented impact on society and the economy, we consider the implications of the Covid-19 pandemic for the future of social service marketisation. Complementing contributors’ proposals in the chapters of this collection, we conclude by looking beyond marketisation, to discuss some recently articulated possibilities for renewal of the public sector and its ways of working with other social institutions.

Reflections on the proliferation of social service markets

The case studies assembled for this volume provide further evidence that the development and design of publicly subsidised social service markets have resulted from conscious choices made by both Labor and Liberal–National Coalition governments in recent decades. Governments have adapted a wide range of market instruments to subsidise private social services—including contracts, tax expenditures, subsidies, individualised budgets and regulatory devices—in response to rising demand for social provision amid the adoption of New Public Management approaches and the increasing influence of neoliberal ideas. Yet, despite considerable diversity in both the design of market instruments and the structure of service sectors, evidence from the case studies indicates market instruments have not justified policymakers’ faith in them and have often exacerbated, rather than resolved, problems of service provision.
The case studies in this and related volumes (Cahill and Toner 2018; Meagher and Goodwin 2015) are revealing, but a sense of how this patchwork came to be stitched together is also useful. Figure 10.1 presents a timeline of important ‘initiating’ moments in the history of social service marketisation in Australia over the past three decades.
Designing Social Service Markets

(see also Meagher and Wilson 2015). Labor governments made many of these first moves, seeking efficiency and innovation (in employment services) or choosing the path of least resistance to broaden access (to child care and superannuation). Coalition governments have typically extended and deepened markets that Labor opened or have sought to weaken universal benefits or user protections that Labor had established (for health care and aged care). The detail presented in the chapters shows that, in line with Gingrich’s (2011) prediction, the parties have often sought to achieve different goals and to (re)distribute costs and benefits to different stakeholders with marketisation policies. While containing public expenditure has often been a shared goal in service system design, the Coalition has tended to reinforce private provider power and Labor has attempted to manage markets for the benefit of service users. Yet, it also seems clear that market ideas have been a bipartisan ‘cognitive lock’ (Blyth 2001) through which most social service policy problems and their solutions have been framed.

**Extending public subsidies to for-profit service providers**

The extension of public subsidies to for-profit providers across the social services sector has been a—perhaps the—distinctive characteristic of the market instruments that featured as our case studies, when compared with earlier policy instruments. Although acknowledging that the marketisation does not require privatisation, it is noteworthy that market instruments for social services departed from the established practice of reserving public subsidies for non-profit providers. This practice had enjoyed bipartisan support from Federation until the final decades of the twentieth century. When introducing market mechanisms, decision-makers provided three main but often interlinked rationales for subsidising for-profit operators: to address shortages in social service provision, to empower service users as consumers and to improve efficiency through competition. Subsidising for-profit providers has been used to increase access and meet unmet demand for social provision while limiting calls on the public purse. In the case of superannuation, Labor’s policy shift to (mandatory) occupational super in the late 1980s was justified as improving the adequacy of retirement income from the pension and avoiding the startup costs of a national super scheme (see Stebbing, Chapter 4). Regulatory reforms designed to advance this retirement policy in the late 1980s extended tax concessions to for-profit funds to enforce operational standards across
the sector (see Chapter 4). When granting for-profit childcare and family
day care services access to public subsidies in the early 1990s, Labor
claimed widespread shortages in subsidised non-profit services restricted
assistance to the fortunate few and the non-profit sector had little capacity
to meet surging demand (see Chapters 1 and 8). As Laura Wynne and
colleagues outline, in housing policy, recent governments at both state
and federal levels have shifted investment from public to social housing
via asset-transfer schemes and public–private partnerships with the intent
of leveraging further private investment (see Chapter 7).

Often, though, public subsidies to for-profit providers have been justified
as providing consumers with choices across the social services sector.
Gabrielle Meagher and Richard Baldwin (Chapter 6) trace how both the
Coalition and Labor have supported subsidising for-profit residential
aged care services and regulatory reforms to increase consumer choice
in the past two decades. Consumer choice also featured prominently in
Labor’s justification for extending public subsidies to for-profit childcare
services and subsequent reforms (see Chapter 8). Natasha Cortis and
colleagues (Chapter 1) chart how the Coalition reformed family day care
services in the mid-2000s, repealing regulations that limited the scale of
private providers in the name of increasing consumer choice and service
supply. In the same period, the Coalition supported increasing the access
of for-profit super funds to occupational superannuation in the name
of increasing consumer choice. Perhaps more prominently, as Georgia
van Toorn shows, advocacy for consumer sovereignty by local and
transnational disability rights groups was a major factor in the selection
of individualised budgets as the mechanism to distribute funding for the
NDIS (Chapter 5).

While increasing consumer choice has been a goal in its own right, public
subsidies to private providers have also appealed to policymakers as
a means of stimulating competition among those providers to improve
efficiency. Demand-driven subsidies rely on consumer choice to stimulate
this competition. For example, the rationale for streamlining the policy
treatment of private residential aged care providers since the late 1990s has
been to achieve competitive neutrality between for-profit and non-profit
services (see Chapter 6). In contrast, contracting out relies on competitive
tendering for governments to choose between the expressions of interest
lodged by private providers. Adele Garnier (Chapter 2) highlights that the
Coalition’s introduction of competitive tendering for refugee resettlement
services to maximise ‘value for money’ was framed as a major innovation in
the mid-1990s. Diana Perche (Chapter 3) further notes that competitive
tendering was the market mechanism relied on to foster the efficiency of
employment services in remote Indigenous communities, as consumers
could not exercise choice with single providers operating in each of the
60 regions.

The rise and rise of profitable social services

The proliferation of market instruments across the social services sector has
been followed by the rapid growth of for-profit social provision. Not only
have for-profit providers responded to the incentives from public subsidies
by expanding their operations, but also their growth has consistently
outpaced that of public and non-profit providers. Table 10.1 presents
data for the past 25 years on the market shares of public, non-profit and
for-profit organisations in residential aged care, community aged care,
child care and employment services. The most striking trends over this
period are the increasing market shares of the for-profit service sector
and the decline of the public sector. What makes the increasing market
share of for-profit providers even more significant is that it has coincided
with growth in the social services sector. In child care, the total number
of long day care places increased 29 per cent in the five years to 2020.
Of these new places, 89 per cent were in for-profit centres. In residential
care for older people, Meagher and Baldwin (Chapter 6) note the number
of places increased by 50 per cent between 2000 and 2018. Of these
new places, 70 per cent were in for-profit facilities. In community care
for older people, following the introduction of consumer-directed care
in the Home Care Packages program in 2016, the number of providers
has increased by 84 per cent, and two-thirds of the new providers are
for-profit. In employment services, the share of for-profit providers has
fluctuated over time, but has also increased considerably. The pattern
appears to be that non-profit providers gain more contracts under Labor
government tenders (1995 and 2009–15), while for-profit providers gain
The growth of for-profit services has often coincided with consolidation,
with larger providers amassing considerable market share in mature social
service sectors. The childcare sector exemplifies this trend; the corporate
giant ABC Learning was estimated to offer more than one-fifth of long-
day childcare places in Australia at its peak in the mid-2000s. Following
the collapse of this business, large private organisations that operate 25 or
more services make up 1 per cent of service providers and offer one-third of childcare places (Stebbing, Chapter 8). The two largest players in 2019 were Goodstart Early Learning, a non-profit rescued from the ashes of ABC Learning in 2010, with 9 per cent of all places in 646 centres, and G8 Education, a listed company that has grown rapidly by acquisition in recent years, with 7 per cent of places in 500 centres (A. Richardson, 2020b). Superannuation has also been transformed since the 1990s, with the number of private ‘institutional’ super funds declining in number from 4,734 to 202 between 1996 and 2018 (see Chapter 4). Although over a longer time frame, the residential aged care sector has also experienced consolidation. Large church-run, non-profit providers have long had a place. However, in the past two decades, large for-profit providers have emerged—some listed on the stock exchange, others privately held (see Chapter 6). Some 2 per cent of these businesses operate more than 20 facilities each, and account for more than 25 per cent of all places (A. Richardson, 2020a). The number of employment service providers in the outsourced system has also declined over time, as the program has been redesigned and renamed by successive governments. Contracts were issued to about 300 ‘Job Network’ providers in 1998, to 100 ‘Job Services Australia’ providers in 2009 and to 40 ‘Jobactive’ providers in 2015 (Jobs Australia 2015). In the 2015 tender round, extended to 2022, the largest five providers operated one-third of all service sites. Of these, three were for-profits, operating almost one-quarter of all sites. The largest provider, the for-profit Max Solutions, operates more than 13 per cent of all Jobactive sites. For the CDP providing employment services in remote communities, 20 of the 60 regions are serviced by six for-profit providers, including Max Solutions (Chapter 3). And, in refugee services, market concentration is more pronounced in immigration detention than in resettlement services; as Garnier (Chapter 2) notes, Paladin Holdings and Paladin Solutions were awarded $313 million for two contracts in Papua New Guinea from 2007.

1 From July 2022, a new employment services program called Workforce Australia will be in operation. Providers appointed to the national panel and those licensed to provide ‘enhanced services’ have been selected (see Employment Services Tenders, available from: tenders.employment.gov.au/tenders/b0bb0fc3-23ae-cc11-983f-002248d3b28f). For-profit providers are well-represented among licensees and the larger panel. Shortly after the program began in mid-2022, the new Labor government signalled broad support for the program’s design and responded to reports of problems from jobseekers with the promise of possible reforms following a parliamentary review (Young 2022).

2 Authors’ calculations based on data in Jobs Australia (2015).
### Table 10.1 The growth of for-profit social service provision, 1994–2020

<table>
<thead>
<tr>
<th>Provider</th>
<th>Residential aged care(^a) (operational places, 30 June, %)</th>
<th>Home care packages(^b) (service outlets/providers, 30 June, %)</th>
<th>Long day care for children(^c) (1994–2009, % providers; 2015, 2020, % places)</th>
<th>Employment services(^d) (provider organisations’ share of services, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Non-profit</td>
<td>61</td>
<td>63</td>
<td>61</td>
<td>59</td>
</tr>
<tr>
<td>For-profit</td>
<td>28</td>
<td>27</td>
<td>31</td>
<td>35</td>
</tr>
</tbody>
</table>

\(^a\) Operational places for Public, Non-profit and For-profit are shown in Table 10.2.

\(^b\) Home care packages are shown in Table 10.3.

\(^c\) Long day care for children is shown in Table 10.4.

\(^d\) Employment services are shown in Table 10.5.
10. CONCLUSION

* Contracted case management services only.

n.a. not available

Notes: This is a revised and updated version of Table 1 in Meagher and Goodwin (2015). Years reported are determined by contracting rounds. The name of the mainstream employment services program has changed several times; it is currently called Jobactive.

Sources:  


The growth of publicly subsidised for-profit providers in consolidating social service sectors has increased both their market power and their investment appeal. The market power of for-profit retail super funds has increased as the investments held grew more than tenfold from $60 billion to $622 billion between 1996 and 2018, while less than one-third of the original number of funds still operates after amalgamations and mergers since the beginning of this period (Stebbing, Chapter 4). As well as exerting considerable market power, the private superannuation sector is highly profitable and charged $9 billion in annual fees in 2017. At the same time, the financial risks faced by retail super funds (a majority of which are owned by the four major banks) are mitigated by the dominance of accumulation super accounts in the sector and mandatory employer contributions. The childcare sector is also highly profitable; as Stebbing (Chapter 8) notes, commercial childcare providers have been rated as blue-chip investments because of high profits and substantial assets, primarily in real estate. Aged care, too, has been profitable. At 15.7 per cent, the average return on equity among for-profit providers in 2018 was among the highest of any industry (BDO 2020: Table 4.5).3 Real estate is also an important revenue source for residential aged care providers, which together hold billions of dollars in accommodation deposits from older people, in addition to income streams from public subsidies and user fees (Meagher and Baldwin, Chapter 6). For-profit providers can use complex business structures to protect their property assets and increase

3 BDO prepared this report for the Royal Commission into Aged Care Quality and Safety, before the impact of the pandemic on the sector. A more recent survey has found that declining occupancy and higher costs have reduced profitability (Stewart Brown 2022).
their profits, with regulations making relatively few on their financial accountability (BDO 2020). Employment and other social support services make good private investments, too. Max Solutions, the largest provider in the Jobactive employment services program, is a subsidiary of Maximus, a company listed on the New York Stock Exchange with market capitalisation of $7.27 billion in September 2021. In addition to its Jobactive contracts, Max Solutions has contracts to deliver services across multiple specialised employment support, training and assessment programs in Australia. Maximus recently reported to its shareholders that its Australian revenues over the three years to 2019 exceeded $900 million. Its Australian operations contributed about one-third of the company’s non-US income over these years, on which it earned an average gross profit of 15.9 per cent (Maximus 2019).

However, the profitability of large service providers in mature and consolidated social service markets is not the only story here. The case studies in this volume also demonstrate how accepted and uncontroversial market instruments that subsidise for-profit services have become to the allocation, delivery and expansion of social services in Australia. This is evident in both the variety of market instruments policymakers have employed and the range of social services to which they have applied them. Using market instruments, policymakers have extended subsidies to social services that were previously considered the domain of government or the non-profit sector, such as family day care (Cortis et al., Chapter 1) and employment services in remote Indigenous communities (Perche, Chapter 3). Moreover, it would have been unthinkable mere decades ago for the state to enter public–private partnerships with property developers to build and administer social housing (Wynne et al., Chapter 7), let alone contract out the operation of offshore immigration detention facilities (Garnier, Chapter 2). It is also notable that the NDIS—among the largest expansions to social service provision in recent memory—has instituted the hyper-marketised device of individualised budgets to allocate disability services (van Toorn, Chapter 5).

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4 The value was US$5.39 billion on 7 September, converted to AUD at a rate of 0.741 on the same day.
5 See www.maxsolutions.com.au/our-services. As one clicks through, the wide range of services, from job placement to child welfare assessments, emerges.
6 The total in US dollars was $679,079,000. The AUD value presented here is based on the authors’ calculation, using average annual exchange rates for each of the three years 2017, 2018 and 2019.
7 Authors’ calculations based on data on pages 26 and 53 of the Annual Report (Maximus 2019).
10. CONCLUSION

Evaluating the impact of social service marketisation

Despite oft-repeated claims about the benefits of marketisation, the case studies presented in this volume have shown that, in practice, the design of social service markets in Australia has often contributed to rent-seeking, low service quality and/or inequality. Market instruments that subsidise for-profit providers contribute to rent-seeking when their design contains the state’s financial commitment without limiting service users’ out-of-pocket expenses; this was exacerbated in cases where there was persistent unmet demand or low levels of service competition. Although it is difficult to calculate precisely, Gabrielle Meagher and Richard Baldwin (Chapter 6) note that residential aged care services are susceptible to rent-seeking by for-profit providers from recent reforms to additional service fees and accommodation charges. Adam Stebbing (Chapter 8) traces how childcare fee rises have continued to outstrip inflation in this sector since public subsidies were extended to for-profit services in the early 1990s. And Adèle Garnier (Chapter 2) contrasts the cost inflation of for-profit-dominated immigration detention services that are contracted through restricted tenders, with the cost effectiveness of the non-profit resettlement services subsector.

Market instruments that render social services susceptible to rent-seeking or that stimulate low levels of competition among private providers have been shown in the case studies to be key factors that result in low-quality services, particularly in sectors that are weakly regulated. Cortis and colleagues (Chapter 1) explain that, following the removal of several restrictions on the scale of their operations, for-profit family day care services had an incentive to lower service quality by reforms in the mid-2000s that increased demand-driven public subsidies but withdrew operational funding. They argue these policy settings distorted the ensuing growth in family day care places towards low-quality for-profit services. Diana Perche (Chapter 3) shows that service quality is adversely affected in the CDP by the lack of competition between private providers and the government funding arrangements that rely on providers’ reports of attendance metrics instead of measures of the quality of employment services. In residential aged care, removing in 1997 the requirements for providers to acquit the funding they received against funds expended to provide care led to a decline in the amount of care older people receive and
in the qualifications of care staff (see Chapter 6). In turn, these changes resulted in the problems exposed in submissions and testimony to, and reports by, the Royal Commission into Aged Care Quality and Safety.

So far, our focus has been on the impact of market designs on the ownership structure and the integrity of social service systems. But there are impacts on social service users, too, as discussed in the Introduction and in various ways throughout the volume. In summary, market designs that rely on consumer choice and provider competition to allocate services and to maintain and improve service quality tend to shift risks and costs to service users. When services to marginalised social groups, such as Indigenous Australians and refugees, are outsourced to for-profit providers, a different set of problems emerges, especially where public oversight is weak or lacking.

Emerging and future directions for research on marketisation in Australian social policy

This volume adds a set of original case studies to existing knowledge about the origins, extent, design and impacts of social service marketisation. Yet, there are marketised services and marketisation practices that are not yet fully understood or are emerging. Even in the policy fields covered in this and other recent collections (Cahill and Toner 2018; Meagher and Goodwin 2015), many unanswered questions remain.

The politics of regulation and the institutional power of private business

In the light of evident problems with service quality raised in the Introduction, and the extent and concentration of private provision across multiple social service sectors discussed above, research on the politics of regulation is needed to understand whether, and to what extent, marketisation has enabled rent-seeking regulatory capture by private providers of social services. As Busemeyer and Thelen (2020: 475) argue, as their dependence on private actors to provide publicly funded services grows, governments face increasingly ‘strong incentives to accommodate business interests to keep them committed to the public–private arrangement’. How Australian governments have responded to these
incentives, and whether their responses explain the evident weaknesses of oversight in, for example, aged care and disability support, is an open research question.\(^8\)

Another related but under-researched question about the politics of regulation and the power of business is the complex triple game played by the ‘big-four’ accounting and consulting firms in relation to the public service and the public purse more generally. One lucrative activity in which these firms engage is the provision of contracted policy advice and other services to governments. Table 10.2 gives an overview of the total value of published contracts with federal government agencies for each of the big-four companies. The amounts are large, ranging from just less than $1 billion over the decade to 30 June 2020 for Ernst & Young (EY) to nearly $1.7 billion for KPMG. A rough sense of change over time is gained by measuring the share of total value in tenders published in the five years to 30 June 2020, which, as Table 10.2 shows, was almost two-thirds. This upward tick continues a trend identified by van den Berg and colleagues (2020: 114), who found the value of contracts to the big-four firms increased considerably between the two decades they studied: 1997–2007 and 2007–17.

Other well-known international accounting and/or consulting firms are also contracted by federal government agencies to provide advice and other services. However, the amounts involved, while large, are much lower.\(^9\) One important exception is Accenture—until two decades ago, part of Arthur Andersen, the fifth of the then ‘big-five’ accounting and consulting firms. In the decade to mid-2020, the total value of Accenture’s contracts with federal agencies was more than $3.4 billion, including four contracts

\(^8\) In a rare quantitative study of the role of consultants in policymaking in Australia, van den Berg and colleagues cautiously discuss the potential policy influence of Serco and Broadspectrum, two international companies whose business is government contracts, and who have had multibillion-dollar contracts to run asylum-seeker detention centres, as discussed in Chapter 2. The authors note: ‘While their profile, and those of similar firms, might not suggest “leadership” on substantive policy issues, the scale of their engagements, and the intimate involvement in programme management and delivery these potentially represent, do raise questions about their indirect policy influence and potential political leverage’ (van den Berg et al. 2020: 128).

\(^9\) For example, for the same 1 July 2010 – 30 June 2020 period shown in Table 10.2, the total value of Grant Thornton’s contracts was $7 million; BDO, $8 million; and ACIL Allens, $28 million. The Boston Consulting Group has had total contracts to the value of $184 million over the decade, which is certainly substantial but equal to just 20 per cent of the total value of EY’s contracts and 11 per cent of the value of KPMG’s. Similarly, McKinsey had contracts with a total value of $172 million. (Authors’ analysis of data from the Australian Government’s procurement information system AusTender, available from: www.tenders.gov.au.)
for sums exceeding $110 million each. While the largest contracts are for the provision of digital infrastructure—including a single contract (of several) to the value of $572 million, for the My Health Record system—the company also provides more traditional project management and management advisory services.10

A second activity in which these companies engage is the production of documents, projects and events that claim to provide ‘insight’ into the future direction of government and policymaking. Five years ago, the trend was for documents with titles such as Creating Public Value: Transforming Australia’s social services (EY 2014), Reimagining Public–Private Partnerships (PwC 2017) and Gov2020: A journey into the future of government (Eggers and Macmillan 2015). More recently, multimedia products including podcasts, such as PwC’s ‘Government Matters’ and Accenture’s ‘Social Services: From the era of support to the era of empowerment’, are available on the companies’ websites, along with information about offerings such as Deloitte’s GovLab, which is ‘designed to support public sector organisations in developing the mindset, skillset and toolkit needed to innovate’ (Deloitte 2022).

Part-research, part-advocacy and part-marketing, these materials appear to be directed at governments as potential customers of the companies’ services. A casual examination of these materials suggests marketisation is among the taken-for-granted strategies for ‘transforming’, ‘reinvigorating’ and ‘reimagining’ government. There is room for more systematic research into this growing body of multimedia discourse, how it frames the problems of contemporary government and public service and the relationship between how the companies frame the problems of the public sector in their ‘freelance’ policy advocacy, on one hand, and the substantive policy work they do for governments on the other. Particularly salient to the concerns of this volume is the question of whether these consulting firms act as ‘instrument constituencies’, chasing problems with (marketising) solutions at the ready (Sturdy 2018).

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10 Authors’ analysis of data from AusTender (available from: www.tenders.gov.au). Note that, for the purposes of this brief overview, these figures relate to a search on the name ‘Accenture’ only. Accenture is a global company with more than 900 subsidiaries, according to business database D&B. In Australia, Accenture subsidiaries trade under other names, and at least some have a presence as government contractors. Avanade, for example, is a joint venture between Accenture and Microsoft, majority-owned by Accenture, and had federal agency contracts to the value of $17 million for the 10 years to 30 June 2020.
A third activity in which the big-four firms engage is arguably their primary reason for being: accounting, auditing and advice to business clients. There has been considerable controversy about the quality and integrity of their work in this fully private domain, prompting the establishment in Australia in 2019 of a joint parliamentary inquiry into the regulation of auditing in Australia (Parliamentary Joint Committee on Corporations and Financial Services 2020). Our interest here is in the findings of international research that the big four are deeply implicated in assisting their clients with tax evasion (Ajdacic et al. 2021; Jones et al. 2018), which weakens both government capacity and public trust. In Australia, a commissioner of the Australian Taxation Office has called these companies a ‘systemic’ risk to the integrity of Australia’s tax system (Tadros 2019).\textsuperscript{11}

Together with the major sums they make from government contracts, their freelance advocacy for public sector reform and their other business and political activities, ‘the big four are at the centre of a profoundly troubling web’, which, as journalist Bernard Keane (2019) argues:

\textsuperscript{11} And while Accenture is no longer in the business of accounting and auditing, the company has been implicated in reports about multinational tax evasion (Dalby 2019), while also offering advice to others on ‘navigating compliance’ with international attempts to arrest the practice (Accenture 2018).
links taxpayer funding and the provision of policy advice—often from consultants with no specific sectoral expertise—to millions in political donations to the major parties, the systematic undermining of government tax collection worldwide by companies using the services of the big four and the loss of trust in large companies because of conflicted auditing. These companies help create the problem of governments lacking revenue to properly fund their public sectors, and then offer to fix the problem by offering their own services, while auditing companies with which they have lucrative commercial arrangements.

These problems have been exposed by investigative journalists, including Keane and others (Bagshaw and Gartrell 2018; West 2016, 2018; Whyte 2020a). However, research that more closely and systematically specifies the scale and scope of these activities and the connections between them is needed.

Private exercise of public authority and the rise of the ‘private servant’ in the public sector

This and other recent collections have focused mainly on social service marketisation organised through contracting or voucher models with explicit, institutional separation of the public authority that funds and regulates services and the private provider that delivers them. Other forms of marketisation are blurring this institutional separation in both directions. In some cases, decisions formerly taken by public officials are now delegated to employees of private organisations, while in other cases, staff working in public sector organisations are employed by private businesses. These arrangements externalise public authority and destabilise lines of accountability, raising questions about the quality of government and the rights of citizens subject to it.

In employment services, for example, decisions about income-support payments that were formerly taken by public officials are now taken by employees of private providers. Researchers have scrutinised these delegated powers over more than two decades since the privatisation of the Commonwealth Employment Service in the 1990s. Indeed, the magisterial longitudinal comparative program of research on the construction and reconstruction of the market for employment services led by Mark Considine over two decades stands as a model for analysis of other social services (Considine 1999, 2001; Considine et al. 2011, 2015, 2020; O’Sullivan et al. 2019).
Yet there are developments in delegated authority in employment services that remain to be studied. An important case is the CDP in remote Indigenous communities (see Perche, Chapter 3). Another is ParentsNext, a ‘pre-employment program’ for people who receive the Parenting Payment, which offers income support to parents of young children (overwhelmingly, mothers) who lack other means. ParentsNext was rolled out in 2018 through contracts with 53 private providers, of which 12 were for-profit businesses that received nearly one-quarter (23 per cent) of funds allocated, while the remainder were non-profits. Providers have power to exempt a person from the program’s requirements and, as with other mutual-obligation programs, can issue sanctions that result in loss of income support. There is emerging evidence from media reports (Burns 2019) and a parliamentary inquiry (Senate Community Affairs References Committee 2019) of problems with ParentsNext arising from conflicting incentives to private providers.

The same vulnerable group of mothers and children may also be affected by decisions outsourced by the former Child Support Agency (now part of Services Australia; on which more below). Data from AusTender show that, for the financial year 2019–20, Services Australia made 65 contracts worth more than $10.3 million to such decision-makers, many of whom were hired year after year. We are not aware of any research examining possible impacts on the quality and integrity of outsourced decision-making, or the implications for the welfare of families involved.

It seems reasonable to ask why contractors hired year after year are not simply employed by the outsourcing public agency and thereby brought under the strong governance structures of public sector employment. This question is at least as relevant for the tens of thousands of privately employed staff across the public sector, including in government departments. These ‘private servants’ (Mannheim 2020) often work alongside their public servant colleagues carrying out the institutions’ normal operations, while formally employed by private labour hire companies. In September 2020, two media reports based on data accessed through freedom-of-information requests sought to quantify the extent of this practice, and to explore the legal status of these murky arrangements (Mannheim 2020; Wilson 2020). According to these reports, the use of labour hire aims to keep down the official headcount in the Commonwealth public service, while managing the workload of public institutions, following the imposition of a staffing cap by the Coalition
government in 2015. Many of the external employees in the public service perform routine functions, but higher-level roles, including in the Senior Executive Service, are also outsourced.

Spending on labour hire across the federal public service in 2019–20 exceeded $4.7 billion and amounted to more than 14 per cent of total spending on staff—down from more than $6.2 billion and more than 18 per cent of total spending on staff in 2018–19 (Mannheim 2020). Both reports discuss the risks of nepotism and other forms of corruption in appointments because, under labour hire arrangements, the recruitment of private providers is not governed by the rules and practices of the public service (Mannheim 2020; Wilson 2020). These contracts are often struck with large international corporations, such as Serco, Hays and Adecco.\(^\text{12}\)

Growth in the use of contract labour was highlighted in a major review of the public service published in late 2019 (PM&C 2019). The report found the staffing cap and increased use of contractors and consultants contributed to declining capacity in the public service, along with a lack of long-term thinking and poor use of employees’ skills (PM&C 2019: 185). The report noted that data on the numbers and costs of contractors were inadequate, so the costs and benefits of private labour were hard to assess.

The use of contract labour and labour hire was scrutinised by the Senate Select Committee on Job Security (2020-2), which was dominated by the ALP, then in opposition. The committee examined job insecurity both in the public service and in publicly funded jobs, such as those in outsourced social services. It recommended that ‘the Australian Government introduces a policy stating that an objective of all public funding for employment, or the provision of goods and services, is to protect and

\(^{12}\) According to our analysis of data from the official database for public procurement, AusTender, the total value of federal government contracts over the past decade (since January 2011) with Serco is $5.2 billion. Many of the more than 400 contracts over this time appear to be with the Department of Defence for services such as the maintenance of defence materiel, and there are some very large contracts for running detention centres, as Adèle Garnier discusses in Chapter 2. But two contracts for a total of $463 million are to provide staff to the Australian Taxation Office, while three others totalling $250 million are to staff Services Australia (including one of its predecessor organisations, Centrelink) for three years from late 2017. UK-based recruitment company Hays has made nearly 16,000 contracts with federal public organisations in the past decade, with a total value of more than $1.9 billion. Contracts with Adecco number 790, with a total value of $627 million, of which $497 million was tied up in 20 contracts for staffing Services Australia. Many other companies have contracts with total values in the hundreds of millions for labour hire arrangements.
promote secure employment’ (Senate Select Committee on Job Security 2021: xiii). Now in government, it remains to be seen if and how Labor will act on the committee’s recommendations.

This brief overview is the tip of a rather large iceberg. Yet the consequences of these practices for every aspect of public service operation in social policy fields—including service quality, transparency, privacy, equality and democratic accountability, but also the ethics of (public) office (du Gay 2008)—remain to be fully examined.

**New organisations, new forms of private–public integration?**

On 1 February 2020, a new ‘executive agency’, Services Australia, replaced the Department of Human Services, and combined multiple former Commonwealth agencies—including Centrelink, Medicare and the Child Support Agency—which administered Australia’s largest social policy programs, including income support and public health insurance. In the same month, the then minister for government services, Stuart Robert, told a business audience about the government’s plans for the new agency: ‘The private sector is indispensable to developing and delivering the government’s service revolution’ (Robert 2020). Going beyond outsourcing, the government is seeking ‘co-investment’ in infrastructure to deliver government programs. The role the private sector plays and how privacy, transparency, equality and democratic accountability are exercised depend on the kinds of commercial ‘partnerships’ the government enters into in creating this agency, which touches the life of every Australian. There is considerable outsourcing of labour in Services Australia, as noted briefly above, and substantial sums have been spent with large consulting firms McKinsey and KPMG, which have prepared the plans for its rollout, among other roles (Burton 2020). Yet before Minister Robert made his speech, the private sector was already well integrated into the agency, not least in the opaque proprietary software and other technologies that shape the foundations of its new, hybrid public–private digital governance model (Brown 2020).

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13 Intriguingly, PwC published one of its freelance policy advocacy documents in 2012, called *Transforming the Citizen Experience: One stop shop for public services* (PwC 2012).
The creation of mega-agencies that have increasingly porous and complex relationships with external business organisations brings new risks. Some arise from staffing practices already discussed. But there are others: in April 2020, a major data breach was discovered at a similar agency at the state level, Service NSW. Public reports, which emerged months after the breach, stated that documents related to more than 100,000 people had been compromised, and the cost of remediation blew out from the early estimate of $5 million to between $25 and $35 million (Bavas 2020; Hendry 2021). More basic are the risks of unaccountability, the invisibility of decision-making and processes hidden by bureaucratic and commercial secrecy (Brown 2020). There is a need for more research on the establishment and evolution over time of such agencies, and a longitudinal study of the building and operation of Services Australia could reveal much.

The Covid-19 pandemic and the future of social service marketisation

The first wave of the Covid-19 pandemic challenged proponents of marketisation as ill-prepared governments and underfunded public institutions struggled to find the skilled staff, medical equipment and consumables to respond to spiking rates of illness. In several countries around the world, as death tolls in nursing homes spiralled, calls to limit for-profit provision and to nationalise nursing homes emerged (Altmann 2020; Gomez 2020; Peterkin 2020; Swadden 2020). In a ‘vision statement’ delivered in May 2020, the then leader of the Labor opposition, now Prime Minister Anthony Albanese, said:

> The contracting out of essential public services is not in the national interest and must stop. It’s time to put human beings and human dignity back into human services. The basics of life such as early childhood education should be nurtured and made affordable. (Albanese 2020)

Further, the pandemic has exposed the limitations of service systems based on consumer choice, individualised funding and market-organised supply. For example, the NDIS, which delegates to myriad private providers responsibility for sourcing, training, screening and managing

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14 A recent study by David Lloyd Brown (2020) is a very good beginning.
disability care workers, has left governments without the control or even the intelligence they need to identify the workforce, train them in infection control, mobilise supplies to all who need these and upscale the workforce in [the] face of shortages in care workers’ (Dickinson et al. 2020: 4). Meanwhile, problems with the outsourcing of security services at private ‘quarantine hotels’ in Melbourne were blamed for the second, mid-2020 wave of infections (Holden 2020; Schneiders 2020), which resulted in the illness of thousands and the death of hundreds of older people living in residential aged care facilities—themselves very poorly prepared for the pandemic. As Kristen Rundle (2020: 3) argues, hotel quarantine is ‘a form of civil imprisonment in service of a public health measure’. Yet, ‘the human face of quarantine in both its detention and infection control aspects’ was delegated to private security guards, who had no legal or political responsibility to the people they were expected to oversee, at best minimal training in infection control and inadequate personal protective equipment (Rundle 2020: 4).

The pandemic has also provided opportunities for rent-seeking by private businesses, as the same ill-prepared governments scrabbled to procure essential goods, including protective equipment and ventilators—often at extortionate prices (ANAO 2021a; Le Grand 2020)—and hastily purchase private staff reinforcements for health and care facilities at a premium (Davies 2020). Virus testing has been a particular boon for pharmaceutical and pathology companies, the longstanding rent-seeking behaviour of some of which has recently been exposed (see, for example, Kiezebrink and van Teeffelen 2020). In May 2020, the largest commercial pathology companies threatened to stop testing for Covid-19 until the Medicare rebate they received was increased. The Coalition government responded by almost quadrupling the rebate to commercial providers (in addition to offering them other contracts and benefits), while granting a much lower increase to public pathology laboratories, which were more likely to serve rural and remote communities (Knaus 2020). By mid-2021, commercial pathology companies were reporting record profits amid problems with slow testing times amid the winter outbreak in New South Wales (Terzon 2021). In early 2022, the testing system collapsed, as growing infection rates undermined pathology companies’ ‘cavalier’ approach to pooling as many as 20 samples to maximise returns (Morton 2022).

Questions about the quality of procurement in Australia have been raised by the Senate Select Committee on COVID-19 (2020) and there have been several media reports about cosy arrangements using ‘limited tenders’
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(Crikey 2020a). One troubling report documented the government’s approach to Mable, a digital platform for matching individuals who need care and support with individual workers who provide it (Crikey 2020a). Mable was contracted without open tender to the value of $5.8 million to provide emergency staff to nursing homes affected by Covid-19, despite being neither a registered NDIS provider nor an aged care provider. The company was initially unable to supply staff when required (Crikey 2020b). Between the striking of this contract and March 2022, it provided no more than 130 staff to fill 2,711 shifts in residential aged care (Department of Health 2022: Table 1). Discovery and reporting of pandemic procurement by the Senate Select Committee were affected by the government’s use of ‘public interest immunity’ to avoid providing all the information the committee requested (Senate Select Committee on COVID-19 2022: 87–94). It remains to be seen whether the full picture will emerge and whether robust evaluations will be possible—for example, through a royal commission into the pandemic response.

As many have noted, the pandemic has exposed weaknesses and fault lines in many of Australia’s institutions. In social services, the question could be posed in terms of the compatibility of marketisation and disaster preparedness. In one of the most influential early characterisations of New Public Management, Christopher Hood (1991) identified three families of values in administrative design—‘keep it lean and purposeful’, ‘keep it honest and fair’ and ‘keep it robust and resilient’—and noted the close alignment between the values of lean and purposeful administration and what we call marketisation. Hood concludes it is not possible to design public management systems that satisfy all three sets of values simultaneously. The desirability of both robustness and resilience on one hand, and honesty and fairness on the other, is pressing as Australia confronts the challenges of the post-Covid, rapidly warming world, in which inequality is likely to become even more stark. The question for Australian governments now and in the future is whether and how equitably these challenges can be met when lean values are prioritised.

15 Dividing the total grant by the number of shifts suggests this amounts to more than $2,000 per shift.
Looking beyond marketisation: Time for renewal of the public sector?

The experiment with marketisation has been under way for decades, intensifying in recent years as governments have extended consumer choice models to new service areas. Yet a recent review found there is little research evidence to support policymakers in designing, steering and managing these markets (Carey et al. 2020). The chapters in this book have explored a range of market structures and problems, contributing to a deeper understanding of how marketised social service systems in Australia do—and do not—work. The chapters have also considered ways forward in the various social service domains they consider. Our brief concluding remarks mostly step back from these specific questions to reflect on some bigger themes that have emerged in recent research about the role of government and market mechanisms and actors in providing publicly funded social services.

In her work on ‘markets in misery’, Janine O’Flynn challenges researchers to move beyond questions about how such markets work to ask whether and when it is right or wrong for governments to delegate the provision of human services to private actors. It is, she writes, ‘time to confront the cumulative effect of long-run privatization’ (O’Flynn 2018). States now govern us through a ‘worst of both worlds’ hybrid of the dehumanising tendency of the bureaucratic machine and the commodifying tendency of the market. The ‘accumulation of many smaller decisions’ has resulted in complex, opaque arrangements under which private interests take public money to profit from human misery, misfortune and vulnerability. It is time, O’Flynn argues, ‘to bring morality back in’ to public administration, in a collective, social effort. We might question the (personal) ethics of the owners of childcare and aged care corporations, whose million-dollar remuneration packages and purchases of luxury mansions and cars are reported in the media with an ironic mix of envy and outrage (see, for example, T. Richardson 2020), but they have gained their fortunes within the politically determined rules of the social service markets they increasingly dominate. This means we need to engage together in the political process, with the moral questions these rules raise. Anthony Albanese’s 2020 statement, noted above, appears to be taking these questions up, but countervailing pressures are strong. While public opinion has never favoured marketisation, political, business and bureaucratic elites have (Meagher and Wilson 2015).
Kenneth Meier and colleagues (2019) also argue for a renewed focus on politics to improve the quality of governance. They point to the familiar representation of inefficient, ineffective, abusive bureaucracy as the problem, and note that marketisation (via New Public Management) has been a widely favoured solution. However, New Public Management has reduced the capacity of government and the sustainability of its (now fewer) achievements. Thus, they argue, representing the problem of governance simply as the problem of bureaucracy is misguided. Bureaucracies have some ‘competitive advantages’ as policymaking and service delivery institutions: they are adaptable, can work over long time frames and are staffed by experts and other personnel guided by the values of public service and professionalism (among other things). Often political decisions render bureaucracies unable to do their work effectively, by under-resourcing them, tasking them with ‘unclear, ambiguous, and, at times, conflicting goals’ (Meier et al. 2019: 1578) and not allowing them sufficient autonomy to use their expertise. In other words, failures of governance are failures of politics, and it is political failure—including the politicisation of public administration—that leads to many contemporary bureaucratic pathologies.\footnote{A perhaps even more pessimistic assessment of the causes and consequences of the loss of capacity in public organisations is offered by Ansell et al. (2021).}

There are many examples from Australia of bureaucratic pathology of political origin, many of which relate to the funding of external actors, and some of which fall within or close to our concerns in this volume—for example, the ‘sports rorts’ affair, in which federal government funds for the Community Sport Infrastructure Grant Program were allocated, during the 2019 election campaign, overwhelmingly to communities in seats the government held or hoped to gain (ANAO 2020; Remeikis and Karp 2020). The politicisation of the grants program has been the focus of criticism, but Michael Di Francesco (2020) argues the affair raises another problem: the politicisation of the public service, which meant it failed in its duty to safeguard procedural integrity.\footnote{The ‘sports rorts’ were not an isolated incident. Similar problems have been identified in other recent Commonwealth grants programs, including the Female Facilities and Water Safety Stream of the Community Sport Infrastructure Program (Snape and Probyn 2020), the Commuter Car Park Projects within the Urban Congestion Fund (see ANAO 2021b) and in the NSW Stronger Communities Fund in that state (Thompson 2020).}
Political failure also explains weakly resourced and poorly guided regulatory institutions. Both the amount and the character of quality oversight in aged care during the coronavirus pandemic have been questioned, in the absence of a specific pandemic plan for aged care and a presiding minister considered so incompetent as to be formally sanctioned by Parliament (Butler 2020; Murphy 2020). A brief example: by 11 September 2020, at the height of the second wave of Covid-19 infections in Victoria, barely 20 per cent of that state’s nursing homes had been visited by the Australian Aged Care Quality and Safety Commission to have their infection-control systems checked. The commission did not start making these compliance visits around the country until August (Caisley 2020). As for aged care homes with coronavirus outbreaks in the first and second waves of the pandemic, the commission had visited only 30 of the 220 by the end of September 2020 (Connolly 2020). The commission has, like other federal agencies, been affected by the staffing cap discussed earlier: it told the Senate Select Committee on COVID-19 that 27 per cent of its staff were contractors.

Australians may also confront bureaucratic indifference, even cruelty, in their interactions with Centrelink in the administration of income support. Alongside the increasingly complex and punishing compliance requirements overseen by private employment service providers discussed above, there have been years of deliberate political decisions to cut and de-professionalise Centrelink staff and to outsource to international service corporations, including Serco (Karp 2019; Jenkins 2020). The resulting bureaucratic inhumanity is evident in millions of unanswered phonecalls every year (Dingwall 2018; Whyte 2020b) and the ‘Robodebt’ scandal—an automated debt-recovery program aimed at income-support beneficiaries that was ultimately ruled illegal by the Federal Court (Medhora 2019). Valerie Braithwaite (2020) argues the harms of Robodebt go beyond the immediate harm to citizens, to harming trust in government and threatening democracy.

What these failures reinforce is that the problems of marketisation arise from its design and implementation, which are largely under political control. If governments choose to work with market instruments, a range of principles and practices that could drive up both quality and equality in Australian social services has been identified by researchers. One idea is presented by Bob Davidson in Chapter 9: markets for social services should include a public provider, to model good practice and to ensure equitable access for all to high-quality services. A bigger-picture vision
for government’s relationships with the external organisations it funds is offered in Janine O’Flynn and Gary Sturgess’s research paper (2019) for the recent review of the Australian Public Service (APS). O’Flynn and Sturgess argue that the APS needs to shift from outsourcing to a broader conception of contracting within a ‘strategic commissioning’ approach. This approach requires ‘deep and authentic’ engagement with the communities and people who use publicly funded services, to gain the knowledge required to anchor commissioning in community needs and aspirations. Governments working with strategic commissioning take a more system-wide approach and enact different kinds of relationships (including transactional and relational) as appropriate to service goals. This approach requires the APS (and, by extension, the public services of the states and territories) to be resourced—indeed, permitted—to develop new organisational capabilities. O’Flynn and Sturgess’s vision for deep community engagement is likely to genuinely empower more Australians than the consumer choice models on which governments currently rely to organise social service markets. It may also contribute to rebuilding the trust in government that is essential to well-functioning, democratically steered public institutions.

When governments make markets for social services, and fund new private actors to provide essential social services to their citizens, they change the role of the state in society. As we have stressed, this change is political and is itself subject to political action. Proposals for public providers in social service markets and for commissioning anchored in community engagement are positive, practical ideas for reorienting state–society relations. This volume has focused on problems with social service markets. To solve these problems, one thing we need to do is to look ‘beyond the messes and disenchantment’ catalogued herein to uncover ‘the factors and mechanisms that enable high performing public problem-solving and public service delivery; procedurally and distributively fair processes of tackling societal conflicts; and robust and resilient ways of coping with threats and risks’ (Douglas et al. 2021: 441–42). This call to ‘walk on the bright side’ is salutary, not least to motivate us as citizens and researchers to remain engaged in constructing a well-governed, good society.
References


10. CONCLUSION


10. CONCLUSION


10. CONCLUSION


