In Australia, as in many other countries, governments on both the left and the right are increasingly designing markets to deliver publicly subsidised social services. For services including child care, aged care and support for people with disabilities, various market instruments including contracting, competition and consumer choice have been introduced to organise provision. Market instruments, particularly contracts with providers external to the public sector, are also used to organise services offered to less-visible social groups, such as prisoners, asylum-seekers and children living in out-of-home care. And across all social services, from aged care to prisons, marketisation has expanded the reach of private businesses in service delivery.

Policymakers argue that market designs for the delivery of services such as child care, aged care and disability support benefit consumers, who gain increased choice, higher-quality services and more diverse and innovative providers. This case could hardly have been put more explicitly than in a 2015 budget factsheet on the Liberal–National Coalition government’s aged care reform:

---

1 We use the term ‘social services’, but it is interchangeable with other commonly used terms—including ‘human services’, ‘welfare services’ and ‘community services’—which other researchers, including contributors to this volume, variously employ.
The Government’s Aged Care Agenda will progressively move aged care from a welfare-style system to one that empowers older Australians to choose their own care services, through a market-based system …

Importantly, there will be increased competition, leading to enhanced quality and innovation in service delivery, and reduced regulation and red tape for providers. These changes are a key step in moving to a less regulated, more consumer-driven and market-based aged care system. (DSS 2015: 1)

Proponents of market designs across all social services argue that, in addition to these advantages, they will benefit citizens in their role as ‘taxpayers’, because they drive lower costs.²

How much faith in markets for social services is warranted?

Clearly, Australian policymakers have put great faith in market mechanisms, invoking this faith in support of extending contracts, competition and choice to more and more service areas over more than three decades (Cahill and Toner 2018; Lyons 1995, 1998; Meagher and Goodwin 2015). Yet significant problems have emerged that might be expected to challenge the depth of this faith. Many of these problems are predictable, arising from what economists call ‘market imperfections’ related to the way market participants respond to the structure of incentives and the availability of information (Blank 2000). These problems, while common in markets in general, are more likely in social services, not least because these are aimed at meeting the development, support and care needs of people, many of whom have limited capacity as consumers (Davidson 2009: 47). The attributes, operation and characteristic failures of social service markets are well established (Blank 2000; Davidson 2009, 2011, 2018; Gingrich 2011) and we discuss some of them briefly in the next section. In this section, we briefly survey some Australian evidence that the marketisation of social services has too often resulted in poorer service quality, especially for more vulnerable people, and wasted resources.

² See, for example, the terms of reference framed by then treasurer Scott Morrison for the Productivity Commission’s study report Introducing Competition and Informed User Choice into Human Services: Identifying sectors for reform (2016: iv–vi).
We begin by presenting some vignettes of experiences of marketised social services from the service user’s perspective (see Box 1). Drawn from the lives of mostly middle-class Australians, the vignettes do not point to unusual or extreme problems. Rather, they give a sense, at the outset of the book, of the day-to-day difficulties many people have in navigating social service markets and receiving services within them.

Box 1 Vignettes capturing service users’ experiences of marketised social services

**Choice and competition in the NDIS?**
Margot is the full-time carer for her husband, Gerard, who, at 63 years of age, has been diagnosed as in the advanced stages of early onset dementia. Gerard’s condition has deteriorated rapidly; he can no longer be left alone at night as he is at risk of injury due to increasing disorientation. His individualised budget with the National Disability Insurance Scheme (NDIS) has recently been increased to cover the cost of a carer to keep him safe at night while Margot sleeps. Holding power of attorney for Gerard, Margot is responsible for finding a suitable carer service. However, her around-the-clock caring responsibilities leave little time to find and research suitable carer services, let alone to find comparable information about the range of services offered and reliable indicators of their quality. After a few months with little success in navigating the system, Margot learns she can use funds from Gerard’s individualised budget for a care coordinator to assist. The care coordinator is not aware of any suitable carer services with staff availability, so she asks for a recommendation from a colleague. As the recommended carer service can take Gerard on as a client immediately, they are employed within the week.

**Active consumers in residential aged care?**
Daniel is hopeful he has finally found appropriate residential aged care for his father, Reginald, who is 87 years old. Reginald requires around-the-clock care and has osteoporosis, so is at risk of major injury if he falls. Reginald had been living in a retirement village and moved temporarily to the nursing home on the premises. But, other than for a short respite period, there were no permanent spaces available. Daniel found his father’s choices were limited. Reginald moved to a second, more affordable facility closer to where Daniel lived that was run by a large charity and had a space available. It had a nice website and positive testimonials, but Daniel soon became worried about staffing levels, the cleanliness of facilities and the quality of the food. Daniel then found a spot at a third facility that was new, expensive and even boasted it had a chef on the premises. Yet, Reginald complained about a lack of privacy as other clients could enter his room at any time because there were no latches on doors, and he had items stolen. Staff often took a long time to respond to calls, too. Unable to rely on price signals or available information about service quality, Daniel resorted to ‘trial and error’. He recently received a call back from a residential facility after being on a waiting list for 12 months. He hopes this fourth service will meet his father’s needs.
Choice and supply in the childcare market?

Yen and Ollie searched for suitable child care for their six-month-old twin boys. As they both needed to work on Mondays and Tuesdays, Yen and Ollie were after two days of child care a week, preferably in a service in their Melbourne suburb or close by. They contacted two services that were highly recommended by their friends; neither had places available and both had very long waiting lists. Yen and Ollie then contacted a third service with a good reputation that did not have places available, but they were able to put their sons on the waiting list. Four weeks after putting their sons’ names down, Yen received a call from the service, which had one place available on the requested days. The service would not hold the place until two became available. As Yen and Ollie did not want to separate their twins, or have the hassle of dropping off and picking up their children at multiple services, they declined the place and kept looking. Eventually, they were able to find two places at a local childcare service that had a mixed reputation.

Buying knowledge to navigate the aged care market

Susan’s mother, Anne, was in hospital for the third time in a few months with respiratory problems and early stage dementia. This time, the geriatric specialist and the social worker in the hospital decided Anne could not be discharged to return home. Instead, the family would need to find a place in a residential aged care facility, urgently. The hospital told Susan if the family could not find a place themselves, Anne would be discharged to the first available facility on their list—on the other side of Sydney—with no room for negotiation. The hospital provided Susan with a list of local residential facilities, but there was no information on what each one was like or whether there was a likely vacancy. Susan spent hours ringing for appointments, waiting for phone calls to be returned and visiting aged care centres. Very few had vacancies, and none seemed acceptable for her mother, who was very unhappy about not returning to her own home. The rules around government-subsidised places, entry charges and the ‘extra services’ were confusing. Susan knew she would also need to arrange to sell Anne’s retirement village unit to cover the entry fee to secure a place, which would cost more than $700,000. Susan was feeling desperate when a friend recommended she hire a consultant to help her navigate the aged care market. The consultant knew all the local residential facilities and kept track of where places were becoming available. She helped Susan to find a suitable place for her mother and to fill out the paperwork to secure it. The consultant charged a non-refundable fee for her initial assessment and meetings with the family, and a second flat fee for the search. It was an unexpected expense of a few thousand dollars at a difficult time.
Employment assistance or compliance reporting? Priorities in
the CDP

Mick waited with the other Community Development Program (CDP) participants in
the yard outside the CDP building on the edge of town for his name to be marked off. He
knew if he was not marked off correctly by the contracted service provider, he would risk
being breached by Centrelink and losing his unemployment benefits. The so-called
work-like activities he would be undertaking this week were, however, hardly worth
showing up for. The participants had been promised training in mechanics, but the
provider could not raise the funds for the equipment, so instead, they were back to
gardening and keeping the town tidy. The women were given craft to do—like children.
It was the same thing, five days a week. He wished he could take some time off so he
could visit family up north. He had been to the office of the employment services agency
the previous day for his regular meeting with his case manager. As usual, she had not
offered any advice about finding jobs in the local area; she was just interested in
keeping his record updated in the computer system. She was not from the local area, was
on a working holiday visa and did not know much about the local people. The provider
for whom she works is based hundreds of kilometres away, in the big city. The people
from the agency do not seem to care much about the people in Mick’s community; they
just worry about reporting who attends the work activities each day so they receive
their activity fee from the government. Mick cannot see how things will ever get better
for him and his family.

Failures in social service markets take their toll on the lives of the people these
services are meant to develop, support and care for. Some failures are relatively
pervasive, occurring during the conduct of business as usual. Other failures occur
less often but are no less the result of the design of the markets in which they happen.
A few examples serve to illustrate.

One set of problems arises when authorities tasked with overseeing quality in
social service markets do not identify, appropriately sanction or remedy poor-quality
services. Monitoring and oversight are essential when governments delegate delivery
of social services to external providers and research has shown that marketisation
and private sector provision increase the need for effective regulation (Braithwaite et al. 2007).
If oversight is weak, poor quality can become business as usual. In social service markets,
regulatory oversight is prone to weakness if private providers exert influence over its
terms, if supervising authorities are under-resourced and because of the low political
salience of most affected consumer groups. To a greater or lesser extent, these weaknesses
are evident in the various Australian social service markets.
Australian governments had provided disability support services both directly and by outsourcing them to mostly non-government providers before the introduction, in 2013, of the National Disability Insurance Scheme (NDIS). This scheme—the origins of which are the subject of Georgia van Toorn’s Chapter 5 in this volume—has further marketised disability support. The hope of the scheme’s designers is that marketisation will solve many of the problems of previous arrangements, including inefficiency, rigidity and lack of choice for people with disabilities. Accordingly, scheme ‘participants’ are assigned an individual budget, which they can use to purchase supports approved in their plan in markets for relevant goods and services. Using language very like that cited above in relation to aged care marketisation, the National Disability Insurance Agency (NDIA) declares in its ‘market position statements’ that ‘a core part’ of its role is ‘to facilitate a vibrant and competitive supply of services in order to maximise the potential benefits, choice and control for people with disabilities’ (NDIA 2016: 17). The design of the NDIS includes ‘lower barriers to entry’ to the market and opening supply to ‘for-profit and other new entrants from adjacent markets, digital disruptors, mainstream and offshore organisations’ (NDIA 2016: 17). In 2016, the market position statements estimated massive growth would occur in the coming three years in both the number of disabled people accessing the NDIS (up by 70 per cent) and the number of workers required to support them (up by more than 90 per cent).

The relatively liberal market design of the NDIS, its very ambitious growth targets and the high proportion of vulnerable people among participants create demanding conditions for quality oversight. Yet the agencies and systems required to undertake oversight were not in place when the scheme started and have only recently become fully operational. A quality framework was not released until 2017, after the scheme’s state-by-state rollout began in mid-2016, and a dedicated authority, the NDIS Quality and Safeguards Commission (NDIS Commission), was not established until mid-2018. Only in mid-2019 were ‘acceptable checks’ made mandatory for workers providing ‘NDIS supports

3 We quote the NSW ‘market position statement’ here; the NDIA created one for each jurisdiction, each containing these programmatic statements.

4 According to our analysis of data on the primary diagnosis of NDIS participants for December 2019, 35 per cent have an intellectual disability or other diagnosis causing cognitive impairment, 30 per cent have autism and 9 per cent have a major mental illness. Other participants have mainly physical or sensory impairments. (Available from: data.ndis.gov.au/media/2156/download).
and services on behalf of a registered NDIS provider to people with disability’ (NDIS Commission n.d.), and a nationally consistent worker screening program was fully implemented only in mid-2020. The NDIS Commission became operational nationally on 1 December 2020.

Early evidence emerging from the NDIS Commission suggests quality problems in the NDIS have been significant, although enforcement actions have been few. In the 18 months to December 2019, the commission received almost 67,000 reports of the use of inappropriate restraints, more than 1,800 reports of abuse and more than 1,000 reports of neglect under its mandatory incident reporting requirements. Nearly 5,000 further complaints were also made (SCALC 2020a). Across the same period, the commission ‘took compliance and enforcement action against 17 individuals and seven providers’ (SCALC 2020b).

In a pattern well documented in aged care (see below; see also Braithwaite et al. 2007), a major scandal in 2020 prompted media and public criticism of the NDIS Commission, and the government responded by tightening regulation. Ms Ann-Marie Smith died apparently as a result of extreme neglect, despite being in full-time care under the NDIS (Henriques-Gomes 2020b). An inquiry soon revealed that the care worker assigned to assist Ms Smith had not been screened by her employer until after Ms Smith’s death (Henriques-Gomes 2020a), despite the employer attesting on its website that all its workers were screened and security checked, had ‘strong moral values and personal integrity’ and ‘a firm understanding of … their duty of care’.5 Within weeks, the government announced expanded powers for the NDIS Commission to ‘ban unsuitable providers and workers from working with … NDIS participants’ (Robert 2020).

Meanwhile, following concerns expressed over many years by people with disabilities and their families, the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability was established in April 2019. The commission’s wider terms of reference include the quality and safety of services and supports for disabled people, and the efficacy of the NDIS Commission will no doubt come under further scrutiny. Emerging evidence of the efficacy of oversight from disability workers’ perspectives suggests some provider organisations prioritise profit over service quality and their reporting obligations, leaving their staff

---

5 The Internet Archive is the source of a version of the page that pre-dates the death of Ms Smith (available from: web.archive.org/web/20200602101317/integritycare.com.au/about-us/).
with too few resources to provide good care and too little time to engage with complex and often cumbersome reporting systems (Cortis and van Toorn 2022).

In care for older people, marketisation is more longstanding than in support for people with disabilities. Aged care services have been provided by public, non-profit and for-profit organisations in a ‘mixed economy’ since the 1960s, with governments subsidising and managing a growing system with various instruments since then (see Chapter 6, this volume). However, market rhetoric and deliberate market design have become increasingly prominent in the policies of governments of both major parties since the 1990s. In residential care, the Howard Coalition government’s Aged Care Act 1997 deregulated key aspects of funding and introduced user-pays principles, both of which made the sector more attractive to for-profit providers, including large corporations. Marketisation intensified with the wave of reforms legislated under the Labor Party, following the Productivity Commission’s inquiry ‘Caring for Older Australians’ in 2010–11, and expanded beyond residential care. Support for older people living in their own homes was provided almost entirely by public and non-profit organisations until one of the two major programs, the Home Care Packages Program (HCPP), was reorganised around market-inflected ideas of consumer choice in 2016. Since then, the share of for-profit providers has grown from 13 to 36 per cent, and international franchise companies and gig-economy platforms have moved in (Meagher 2021).

Media reports year after year have also documented community concerns, particularly about the quality of residential care for older people (for example, Blumer 2018; Casben 2019; Connolly 2014, 2017, 2019; Day 2015; Ford 2018; Keane 2019; Lane 2016; O’Neill 2013; Opie 2019; Squires 2010; Strachan 2014). Researchers and public inquiries have found widespread inappropriate use of physical and/or chemical constraints (Royal Commission into Aged Care Quality and Safety 2019; Westbury et al. 2019) and a high prevalence of malnutrition (Kellet et al. 2015) in nursing homes, both of which undermine older people’s health and wellbeing and shorten their lives. Further evidence of poor—even declining—quality of care is the increased incidence between 2000 and 2013 of premature death from causes such as falls, choking and suicide (Ibrahim et al. 2018). Despite these evidently sustained problems, the statutory regulator has typically found little to fault. In 2017, the year for which the most up-to-date consolidated data are available, more
than 95 per cent of audited facilities met all 44 of the quality standards prevailing at that time, and more than 98 per cent were reaccredited for the maximum period (AACQA 2017: 48).  

Across the decades, policymakers have responded to media scandals about poor-quality aged care by setting up inquiries and reorganising regulatory agencies. In 2017 alone, the federal government initiated three reviews into nursing home quality and the efficacy of its oversight. However, media reports of serious problems in many facilities continued to appear—ultimately leading to the establishment of the Royal Commission into Aged Care Quality and Safety in 2018, along with a new agency for the oversight of quality, the Aged Care Quality and Safety Commission. Despite the new oversight agency and the royal commission in progress, in July 2019, yet another major adverse event—this one very intimately related to marketisation—prompted yet another inquiry. Conflict between a private ‘approved provider’ of residential care services and the company it had subcontracted to manage delivery of those services resulted in the evacuation, without warning, of 69 residents of two nursing homes within the Earle Haven Retirement Village on Queensland’s Gold Coast. The inquiry into the incident made yet further recommendations for how the aged care market should be managed by public authorities (Department of Health 2019).

Since the Earle Haven incident, the Covid-19 pandemic has struck, and nursing homes have again been much in the news. In the first wave of the pandemic, Australia avoided the cataclysmic, widespread failure of nursing homes to manage exposure and care of their residents seen in Europe and the United States. However, this was mostly luck: there were relatively

---

6 Equivalent data are not published in this format in the agency’s final annual report, for 2017–18. From 1 January 2019, the Aged Care Quality and Safety Commission (ACQSC) replaced the AACQA and the aged care complaints commissioner, and on 1 January 2020, the ACQSC took over other regulatory functions formerly held by the Department of Health. At the same time, the accreditation standards and auditing and reporting procedures changed.

7 In May 2017, the minister for aged care commissioned a review of national aged care quality regulatory processes in response to abuses at the Oakden facility in South Australia (Carnell and Paterson 2017). In June, the Senate referred the matter of ‘the effectiveness of the aged care quality assessment and accreditation framework for protecting residents from abuse and poor practices, and ensuring proper clinical and medical care standards are maintained and practised’ to its Community Affairs References Committee (SCARC 2019: ix). In December, the minister for health referred the matter of the quality of care in residential aged care facilities to the House of Representatives Standing Committee on Health, Aged Care and Sport (2018). In August 2022, the new ALP government brought forward the scheduled review of ACQSC in the light of its apparent failings during the pandemic.
few cases and little community transmission in Australia overall. Where the coronavirus took hold in two Sydney nursing homes, it cut a terrible swathe. One managed better, losing six residents (Alexander 2020). In the other, more than 70 staff and residents were infected with Covid-19 and 17 residents died (Patty 2020).

A second wave of infections occurred from mid-June to mid-September 2020 in Victoria—this time, driven by relatively widespread community transmission. During this outbreak, Victoria recorded more than two-thirds of all cases in Australia and nursing homes were affected on a scale commensurate with that of the outbreak itself. Approximately 2,000 people living in nursing homes in Melbourne were infected, 1,600 of them in large outbreaks at 10 private facilities. More than 600 of these people died. Nursing home residents represented less than 10 per cent of all infections recorded in Victoria, but 80 per cent of the people who died. Notably, public nursing homes fared better; only three older people contracted Covid-19 and none died. Experts put this down to state government mandates for high nurse–resident ratios (Handley 2020).

During 2021, most older people in nursing homes were vaccinated and sporadic outbreaks caused a further 220 or so deaths across the year. However, the emergence of the highly infectious Omicron variant late in that year caused a second major spike in deaths in nursing homes in early 2022. Outbreaks occurred in thousands of homes, and nearly 2,500 older residents died during the first seven months of 2022. Delays to third- and fourth-dose vaccinations and infections among thousands of staff exacerbated the already very strained conditions in the sector.

---


INTRODUCTION

The catastrophic failures of care in nursing homes exposed to the pandemic pointed to systematic problems with the nursing home market, arising from how the regulations that underpin the market are specified and how they are implemented and enforced. A critical problem is that, even before the pandemic, more than half of all Australian aged care residents (58 per cent) lived in facilities with unacceptably low staffing levels and almost all (99 per cent) lived in facilities with suboptimal staffing levels (Eagar et al. 2020: 508). Further, the share of skilled staff has fallen precipitously during a time when the share of for-profit providers has been growing. Between 2003 and 2016, the share of non-professional personal care workers increased from 57 to 72 per cent (Meagher et al. 2019: 13), during which time the share of places in for-profit ownership increased from 29 to 38 per cent. The relationship between these trends is complex, but the design of the market for residential care has driven them both (see Chapter 6, this volume). And, despite overwhelming international evidence that mandated staffing ratios can drive care quality, providers’ lobby organisations have vociferously opposed the introduction of such a regulatory requirement and appear to have captured the regulators (Connolly 2020).

Another set of problems in conducting ‘business as usual’ in social service markets are transaction costs (Davidson 2009). These arise as all the groups involved—governments, providers and people using services—navigate the market and find themselves variously searching for and negotiating with transaction partners and monitoring and enforcing the exchanges they enter. Of course, most market interactions incur transaction costs, but these costs are generally higher for transactions involving services (which are intangible, interpersonal and often labour intensive), and even higher for social services, which meet the needs of vulnerable social groups (Davidson 2009: 44–49). Thus, in designing and engaging in social service markets, governments, for example, need to establish and operate systems for specifying and managing contracts, licensing or accrediting providers, distributing payments and monitoring and oversight of contract compliance and service quality.

Providers also need organisational infrastructure to engage with funding and monitoring systems, and a satellite market of consultants offers them assistance, for a fee. Providers often also devote considerable resources to marketing their services to their ‘customers’, particularly in markets where people needing services are expected to choose a provider. These various activities incur extra costs that represent significant ‘leakages’ of both
public and private money; they are not part of service delivery and are only present because the market design requires providers to compete for custom. These leakages often more than offset any hoped-for efficiency gains that may be generated by markets (Davidson 2018).

Consumer choice models also incur search costs for people who need services, as they spend time and perhaps money seeking information about providers and the quality of the services they offer—information that may be incomplete, complex or irrelevant to their concerns and interests, as several of the vignettes presented in Box 1 show. Consumers may also be required to negotiate the content, price and quality of services even when these are subsidised. Markets in which consumers choose a provider usually offer a portable subsidy or ‘quasi-voucher’ (Lyons 1995); in other words, people can change provider if they are not satisfied. This approach assumes consumers’ potential or actual choices to ‘exit’ will drive providers to improve or go out of business. If consumer exit is the means of market discipline, the cost of monitoring the quality of services at least partly falls to consumers also.

Another evident problem with social service marketisation is that not all people using services are equally subject to the kinds of problems we have been discussing. Those who have the social and economic resources to navigate service markets are typically best placed to benefit from them. Sometimes transaction costs appear to be the major driver of inequality. In disability services, vulnerable groups, including people with intellectual disabilities and older carers, have difficulty navigating the NDIS’s processes, and are less likely to receive funded supports than other participants with similar needs, while males and people with higher incomes are more likely to have their needs met (Mavromaras et al. 2018). In home care for older people, the new consumer choice model of allocating services has led to fewer people accessing services as they face

---

10 See, for example, guidance to older people and their families on the ‘My Aged Care’ website (www.myagedcare.gov.au), which sets out four steps for accessing aged care services: ‘Step 1: Learn about the different types of care’; ‘Step 2: Get assessed for aged care services’; ‘Step 3: Find a provider in your area that suits your needs’; ‘Step 4: Manage your services’. Further information on Step 3 states: ‘Once you’ve chosen your preferred provider, they will offer you an agreement before you start to receive services’, and agreements cover ‘your care plan’, ‘your services’ and ‘your fees’. ‘Your services’ include: ‘The exact care and services that will be provided to meet your care needs. It will also cover who will provide the services, when they will be delivered, and how often’ (available from: www.myagedcare.gov.au/how-set-your-new-service).
increasing responsibility for finding, choosing, negotiating and managing the service package. Those who did access services were more likely to be relatively advantaged (Jorgensen et al. 2020).

Inequality in social service markets is driven not only by differences in the resources people have for navigating them, but also by market designs that give private providers more latitude to decide what services they offer, where they offer them and to whom. This tendency is exacerbated when private providers can top up publicly subsidised services for those consumers who want and are able to pay more. In child care, for example, which operates with a consumer choice model and without geographical service planning or fee regulation (see Chapter 4, this volume), the quality of services is higher in less-disadvantaged areas. Quality data collected by the Australian Children’s Education and Care Quality Authority (ACECQA 2019: 34) show the share of centre-based services that exceed the National Quality Standards is higher in the least-disadvantaged areas of Australia (37 per cent) than in the most-disadvantaged areas (28 per cent).

In education, private schools can choose where they locate, the fees they charge and, within the constraints of mandated curriculum requirements, the kind of educational experience they offer. Critically, they are also able to select students, through both the level of fees they set and other formal and informal selection criteria and processes. With these design features in place, school choice policies have driven socioeconomic segregation, resulting in stark divergences in achievement among advantaged and disadvantaged students (Smith et al. 2019). The individual and social costs of inequality in education are high. Declining performance among the most disadvantaged students has been estimated to cost Australia’s economy tens of billions of dollars (Hetherington 2018).

Weak regulation enabling poor service quality, high transaction costs and provider latitude driving inequality are at the business-as-usual end of social service market problems. At the other end—but no less related to the rules and incentives of specific market designs—are problems of unscrupulous behaviour, including fraud, and organisational instability. Again, some examples give the flavour:

- In job placement services, ‘rorting’ scandals have been repeatedly reported since the first outsourcing contracts were struck more than two decades ago, despite several redesigns to prevent provider abuses (and to tighten compliance requirements on jobseekers) (ABC News 2002; Besser 2011, 2013, 2015; Karp 2019; Morton 2017).
In residential aged care, one of the largest corporate providers, Bupa, was fined $6 million and ordered to compensate residents of 20 of its nursing homes in 2020, after the company charged them often thousands of dollars each annually over several years for additional services they did not receive (ACCC 2020).

In family day care services for children, after funding rules were relaxed in 2006, the share of for-profit providers increased rapidly, and fraudulent practice also became a problem, as Natasha Cortis, Megan Blaxland and Elizabeth Adamson show in Chapter 1 of this volume.

In vocational education and training (VET), similar problems emerged when—again—funding rules were relaxed, in 2012. With the aim of growing participation in VET, the federal government paid fees up front to providers, while students incurred a corresponding debt to the Commonwealth. New private providers flooded the market, attracted by the opportunity of essentially unregulated fees underpinned by the public purse. As the dissenting report by Labor senators to the Coalition government–led ‘red tape committee’ on private education put it: ‘Experience has repeatedly shown that rent-seeking, and access to government funding in VET with limited regulation, has led to extreme outbreaks of malfeasance by unscrupulous private, profit seeking providers’ (Select Committee on Red Tape 2018: 25). The Australian National Audit Office found that average tuition fees more than tripled between 2009 and 2015, and fees for ostensibly the same course varied widely (ANAO 2016: 29n.27). Until the practice was banned, some providers used inappropriate inducements to recruit students who were ill prepared for study, and many offered inadequate education and training. Many students never graduated, despite acquiring a debt (Senate Education and Employment References Committee 2015).

In disability services, as the NDIS is being rolled out nationwide, reports of fraud are growing (Henriques-Gomes 2019; Topsfield and Millar 2021), and the more lurid cases involving seizure of gold bullion, luxury cars and properties have been splashed across the media (Cormack 2019; Reddie 2021).

---

11 The new rules mirrored those offered in university education, despite most other aspects of university functioning being much more tightly regulated.
In immigration detention services, poor contract design and weak oversight have put the people detained at risk and enabled significant cost blowouts in favour of the large corporations that have gained the contracts to provide them. As Adèle Garnier shows in Chapter 2, waste and mistreatment can occur because governments do not properly use market instruments, such as competitive tendering and careful regulatory monitoring.

There have also been some major corporate collapses in the Australian childcare and VET markets. The most well-known case was the massive publicly listed childcare business ABC Learning, which crashed in late 2008 (Sumison 2012). In 2015, VET company Vocation Limited collapsed, just two years after listing on the stock exchange (Danckert and Preiss 2015). Another of the largest private VET providers, Global Intellectual Holdings, went into liquidation in 2016 (Cook et al. 2016; Taylor and Branley 2016). Others have since closed—or been closed by the regulatory authorities, following the unscrupulous practices discussed above—stranding students in the middle of their training (Bagshaw and Mitchell 2017; Taylor and Branley 2017).

Such problems in social service markets often create considerable disruption and uncertainty for the people receiving the services even when they are not more directly harmed. Market and regulatory failures are also costly for the community. The government contributed $56 million to maintain operations in ABC Learning’s childcare centres until a new owner was found (Sumison 2012). Various amendments to VET funding policy were introduced from 2015 to address the perverse incentives in the market, but major fiscal damage had been done. In 2019 alone, the government forgave more than $490 million in debts incurred by VET students who were enrolled by unscrupulous providers (Tomazin 2019), and several thousand students have since had complaints dealt with by the Commonwealth Ombudsman. Enforcement actions against providers

---

12 In the United Kingdom, there have also been some disruptive corporate collapses, including the nursing home chains Southern Cross, which held about 750 homes, in 2011, and private equity–owned Four Seasons, which held 322 homes, in 2019. In early 2018, Carillion, another massive government contractor, collapsed. Carillion was involved in a wide range of public services and public infrastructure, from managing contracts for school dinners to building hospitals and motorways under the ‘private finance initiative’. A few months after Carillion’s crash, the UK National Audit Office estimated the cost to the British public purse would be £148 million—an estimate later exceeded (Inman 2018).

by the Australian Competition and Consumer Commission (ACCC) or the sector-specific regulatory authorities are also costly to conduct, when they occur.

Ultimately, the costs of navigating and operating social service markets fall on the people using the services or on the community, through public financing. These costs remain mostly unmeasured. Just as important, but also very difficult to measure, are the losses to the Australian community when poor-quality providers and/or complacent regulation lead to poor-quality services that fall below the threshold acted on by oversight authorities. The community loses directly, by paying for services that are not delivered to the expected level, and indirectly, through the ramifying social impact of substandard education, care and rehabilitation.

Of course, nonmarket provision of social services also incurs costs, can be inequitably distributed and has characteristic problems. And markets can offer important benefits to consumers—if they are designed to do so. But, in the light of the problems outlined above, it is also important to note the lack of evidence that Australians demanded market reform of social services or the (ideologically) related privatisations of public institutions and infrastructure (Meagher and Wilson 2015). Marketisation and privatisation of social services have been elite projects and their benefits for most people remain unproven.

**Analysing social service markets**

Failures in social service markets are often attributed to ‘bad apple’ providers, with which others should not be lumped. The ‘bad apple’ explanation might be more plausible—and unbending faith in market solutions more reasonably maintained—if problems were relatively rare and isolated or if they decreased over time, as early wrinkles in market design were ironed out and choice and competition drove improvements for consumers, as proponents predicted. However, it seems problems persist, emerging in sector after sector, as market designs are developed and rolled out. Thus, a more systemic investigation and critique are warranted.

---

14 For example, industry association Leading Age Services Australia used this argument in its submission to the Senate inquiry into the effectiveness of the aged care quality assessment and accreditation framework (SCARC 2019), claiming: ‘The aged care sector is working tirelessly to deliver high quality care but one “bad apple” can taint the reputation of the entire industry’ (Leading Age Services Australia 2017: 5).
Complementing two recent volumes, *Wrong Way: How privatisation and economic reform backfired* (Cahill and Toner 2018) and *Markets, Rights and Power in Australian Social Policy* (Meagher and Goodwin 2015), which offer such an analysis, this volume includes a further set of original Australian case studies, along with an argument for the vital role of the public sector within social service markets to mitigate the predictable problems to which they give rise.

Faith in markets is typically grounded in ideological commitments to small government. From this ideological position, markets are assumed to be largely self-constituting and self-regulating arrangements in which self-interested, rational individuals and firms exchange goods and services (for a classic statement, see Friedman and Friedman 1990). Competition between firms promotes the efficient use of resources and consumer choice promotes—indeed expresses—individual autonomy. Aside from a handful of tasks, not the least of which is enforcing contracts and property rights, government ‘intervention’ is mostly a fetter on both efficiency and autonomy.

This world view finds technical expression in neoclassical economics and policy expression in New Public Management, which marries faith in markets with faith in private corporations to propose solutions to putative problems of public bureaucracy (Hood 1991). It is perhaps most frequently called ‘neoliberalism’ by its critics, who argue that its rise to prominence in recent decades has led to the encroachment of markets and market models on public policy and across social life more generally. Contributors to this volume work with the overlapping and complementary concepts of neoliberalism, marketisation and financialisation to come to a more refined view of how overextended faith in markets has transformed social services in this country.

**Understanding neoliberalism, marketisation and financialisation**

Despite widespread agreement that neoliberalism is reshaping social institutions, it is ‘an oft-invoked but ill-defined concept in the social sciences’ (Mudge 2008: 703). Several framings of the concept can be found in the research literature: it is variously the hegemonic ideology of our times (Harvey 2005); a (rightwing) political project that reorders state institutions to market logics (Wacquant 2012); a form of rationality encroaching on everyday life (Brown 2015); and the latest phase of
contemporary capitalism (Fox Piven 2015). One approach in response to the many and varied usages of neoliberalism has been to emphasise the links between neoliberal ideas and governance. Yeatman (2018: 21) states that ‘neoliberal governance has been driven by a political philosophy that centres on making a competition market order the basis of social organisation’. Another approach has been to frame neoliberalism as essentially ‘flexible, adaptive and renewable’ (Redden 2019: 713). Researchers working with this concept, however framed, have contributed penetrating insights about recent change in economic and social life, including in social services (Cahill and Toner 2018). Accordingly, several contributions to this volume work with the concept of neoliberalism in shaping their analyses of the broader context in which marketising policies have emerged.

Other contributions work in a more directed way with the related term ‘marketisation’, which focuses on how states ‘craft’ (Vogel 2018) the variety of existing markets. This approach understands marketisation as action by the state that reconfigures the policy architecture of the state itself and/or builds new institutions that imbue market logics. Markets have two central attributes: the use of competitive mechanisms to allocate services and products, and the use of incentives (particularly financial and material) to influence the behaviour of consumers and producers (Gingrich 2011: 7). Economists and social policy analysts recognise that markets for social services, like other markets, involve competition and the use of incentives to influence behaviour. However, as noted above, researchers have also shown that social service markets differ from markets for many consumer goods in important ways that do not conform to the basic assumptions of the economic theory of competitive markets (see, for example, Davidson 2009, 2011).

Gingrich (2011: 8–9) provides a handy list of characteristic problems or risks in social service markets—‘externalities, multiple principals, information asymmetries and incomplete contracts’—and summarises their implications (see also Blank 2000; Davidson 2009, 2011). Social service markets often have ‘positive externalities’ because they deliver benefits for society as well as for the individuals receiving them. If individuals alone bear the cost, they may be unwilling or unable to pay enough for the social benefit to be realised, leading to undersupply.  

15 Negative externalities occur when not all the costs of production are included in the price of a good or service; pollution is the most commonly used example.
This justifies public (collective) financing. The problem of multiple principals occurs when governments finance social services to enable positive externalities to be realised but pay private providers to deliver the services. To whom (which principal) does a provider answer: the government funding the service or the person receiving it? Information asymmetries can occur between service providers and users. Private providers—doctors, social workers, teachers, nursing home operators—can know more about their quality and cost. This puts those purchasing services, whether service users or the government, at a disadvantage in choosing a provider in the market and in assessing whether they are getting what they are paying for. Service users can know more about their further likely need for services, or choose not to disclose important information, thereby putting private insurers at a disadvantage. And contracts for social services are almost always ‘incomplete’ because it is very difficult, if not impossible, to specify and measure every aspect of the service to be delivered. This means different contract designs can create different arrays of costs and benefits for parties to them—including benefiting providers at the expense of service users and public funders.

Another concept mobilised in some contributions is financialisation. As Adam Stebbing explains in more detail in Chapter 4, on superannuation, financialisation is the process by which financial ways of thinking and acting are integrated into how institutions—from governments to businesses to households—operate (Bryan and Rafferty 2018: 9; van der Zwan 2014). The goal of financial ways of thinking is to quantify, in dollar terms, the potential risks and returns for the available options in a situation. As more and more social processes and interactions are drawn into these calculations, thereby coming to resemble assets and liabilities or profits and losses, they become distanced from their primary uses. Thus, as Laura Wynne, Kristian Ruming, Pranita Shrestha and Dallas Rogers show in Chapter 7, housing has increasingly become positioned as an asset that generates a financial return, with profound implications for the idea of universal access to secure shelter that social housing ideally represents.

Overall, Gingrich concludes that these problems create a complex set of trade-offs for governments in designing and regulating social service markets. They must decide ‘how they shape individual and collective responsibility for allocating services (the allocation dimension) and how they structure control over production (the production dimension)’ (Gingrich 2011: 9). In other words, there are inherent risks in social service markets, which can be mitigated or exacerbated, depending on
how government financing and regulation are designed. Several of the risks position service users or government funders on the downside, with opportunities for rent-seeking by providers a particular challenge. Risks often arise because of conflicts of interest, and many of the examples of problems in social service markets set out in the previous section were caused by private providers taking opportunities to pursue their own interests over those of the people using their services and the collective interest intrinsic in public funding.

**Markets as social institutions**

To reiterate: governments *necessarily* design markets, including social service markets. They bring these markets into being with actions that support and/or constitute market actors, define the products to be exchanged, construct social arenas and the rules for market exchange, promote for-profit provision and encourage consumer choice and competition (Vogel 2018: 15). Thus, social service marketisation involves complex institutional changes and has variable results depending on the specifics of market design. These features make historical institutionalism an ideal approach to understanding marketisation. Historical institutionalism is a set of interdisciplinary approaches that understand institutional change over the long term to be often more consequential than specific policy choices at a point in time, because institutions can become ‘embedded’ and impact subsequent developments through intended or unintended ‘feedback effects’ (Pierson 2004: 15). Feedback effects impose constraints that impede—or confer resources that promote—certain actions. These effects emerge from many sources, including existing state and market institutions, political interests and other policy actors and/or political ideas, and vary with historical and political context (Hacker 2004: 244).

This way of thinking enables us to differentiate between the impact of earlier policy settings and dynamics and new market models on the design and operation of social service markets. When designing social service markets, governments must negotiate political processes that require compromises to be made and work with the structures of existing policies and social service sectors. Although these circumstances are to some extent unique to each social service sector at the time of reform, previous work has highlighted that the cumulative impact of incremental changes to existing policies can be as transformative as (or lead to more) radical revision in the long run (Streeck and Thelen 2005: 19). In fact, as Teles
(2013) observes of the United States, market-oriented policy changes have typically resulted in increasing complexity because they often build on rather than replace existing policies and structures. The importance of both contextual factors and increasing complexity underpins our decision to analyse the design of social service market institutions separately using a historical institutionalist approach.

By recognising markets as social institutions, we see existing markets as social arenas of exchange that, as noted above, use competitive mechanisms to allocate goods, services and information (Fligstein and Dauter 2007: 107; Gingrich 2011: 8). Market exchanges involve the complex interplay of businesses, organisations, suppliers, workers, consumers and the state (Fligstein and Dauter 2007: 107), and it is the governance of these exchanges through legislation, regulation, practices and norms that shapes the capacities and opportunities of the actors engaged in them (Vogel 2007: 26).

We have been emphasising the point that markets are designed social institutions and, to avoid confusion, a brief clarification of our use of the term ‘design’ is warranted. Scholars such as Jane Gingrich use the term ‘market design’ in research framed, like ours, within a historical institutionalist approach. However, there is a somewhat narrower and more technical concept of ‘policy design’ in public policy research, in which it is defined as ‘the deliberate and conscious attempt to define policy goals and connect them to instruments or tools expected to realise those objectives’ (Howlett et al. 2015). Many scholars working with this idea of policy design treat policymaking as primarily a matter of pragmatic problem-solving and see research on design as a means to improve policy effectiveness (Howlett 2018).

Other more critical scholars working on policy design have challenged the technocratic focus on problem-solving, instrument selection and policy effectiveness. They argue that public policy instruments are not simply neutral tools sitting, equally available, awaiting selection in a proverbial toolbox. Rather, these instruments are ‘bearers of values, fuelled by one interpretation of the social’ among several (Lascoumes and Le Galès 2007: 4). Policy designs are used to frame different groups in society as ‘deserving’ or ‘undeserving’, ‘winners’ or ‘losers’, and can establish degenerative dynamics that place vulnerable or marginalised people in a position of self-perpetuating disadvantage (Schneider and Ingram 1997). This emphasis on values and politics, and on the impact of the
choice of instruments on the relationship between the government and the governed (Lascoumes and Le Galès 2007; Schneider and Ingram 1997), aligns more closely with our approach. Thus, while we are indeed interested in policymakers’ goals and the instruments they use to achieve them, we examine the question of market design using a more expansive and critical palette.

Examining Australian social service markets

The complex and diverse history of marketisation in Australian social policy points to the need to examine specific social service markets, to capture how and for whom they work. Contributions to this volume take up this task from a range of disciplines in the social sciences, with some chapters working with more explicitly theoretical framings, and others more empirically grounded.

In Chapter 1, Natasha Cortis, Megan Blaxland and Elizabeth Adams empirically chart the policy changes that led for-profit providers to expand their foothold in the Australian family day care sector and assess the impact of this development. Family day care offers children formal, regulated and government-subsidised early education and care in small groups in the homes of individual educators. Each home-based educator is formally self-employed. However, educators are required to be attached to a coordination unit, which offers support for their educational programming and practice, regulatory compliance and administration. Family day care was established in the 1970s on a non-profit model. It operated on this basis, with little change, for a quarter of a century. A mixed model was introduced in the 1990s, but it was not until the past decade that changes in policy, funding and regulation reorganised family day care around market principles, resulting in very high involvement of for-profit providers. The chapter uses national regulatory data to assess how the dominance of for-profit providers has affected the sector’s potential to deliver quality services to children. The authors find that reshaping family day care around a market model has exacerbated the fragility of high-quality practice. In 2018, only 27 per cent of for-profit family day care providers were meeting the National Quality Standard for early childhood education and care services. For-profits performed notably worse than public and non-profit providers against each of the
seven National Quality Areas, and many did not meet standards in any quality area. The chapter concludes by considering measures to better ensure children receive quality education and care from all family day care services.

In Chapter 2, Adèle Garnier examines marketisation in refugee settlement services—a niche policy sector that has not yet been studied in the context of marketisation. She uses an expansive definition of refugee settlement that takes in not only specialised, refugee-focused support services for humanitarian migrants in the community but also the punitive and controversial onshore and offshore immigration detention centres that hold asylum-seekers. The result is a fascinating contrast: both types of service have been marketised, but in different ways, with quite different results. During the years of the Howard Coalition (1996–2007) and Rudd and Gillard Labor (2007–13) governments, supportive settlement services for resettled refugees and asylum-seekers in the community continued to be delivered by the non-government organisations that had long done so. However, these organisations now competed for contracts, as part of the general marketisation trend during that period, under arrangements focused on value for money, performance supervision and, increasingly, risk assessment and the development of a quality assurance framework. Evaluators found that implementation of this approach largely succeeded on its own terms. By contrast, immigration detention management and services were outsourced to for-profit corporations, often on hastily struck contracts with unclear performance objectives, resulting in considerable cost inflation and limited government accountability. Following the re-election of the Coalition in 2013, the design of supportive services increasingly emphasised refugees’ self-reliance, while the costs of immigration detention ballooned, and poor government accountability worsened. Detainees subjected to Australia’s punitive asylum laws also suffered, and continue to suffer, from lack of oversight of hugely resourced for-profit corporations.

In Chapter 3, Diana Perche examines employment services in remote Indigenous communities in Australia. The chapter documents the risks of marketisation in policy environments that afford limited oversight and control, through a case study of the Community Development Program (CDP). The CDP was introduced by the Coalition government in 2015 as a new ‘work for the dole’ scheme for more than 1,000 communities across Australia, predominantly affecting Aboriginal and Torres Strait Islander people. In line with the broader push for contestability and streamlining of
Indigenous service delivery under the Coalition government’s Indigenous Advancement Strategy, CDP providers are selected by competitive tender. Measured against the goals and ideals of a market-based program, the CDP suffers from several design flaws. With one provider per region, there is a lack of alternative providers. Further, decision-makers are becoming disconnected from affected communities, as some of the non-profit Aboriginal community–controlled providers that had previously offered these services are replaced with for-profit companies. Some for-profit companies have taken over several regions, benefiting from economies of scale but delivering poorly tailored services from long distances. There is also poor government oversight of the quality of services, partly because of the design of the performance monitoring system. Performance criteria create perverse incentives for service providers because they focus on processing and reporting tasks rather than meaningful service provision or engagement with the needs of unemployed people. Because Indigenous people’s participation in the CDP is mandatory and compliance is directly linked to Centrelink payments, service providers make decisions about participants’ livelihoods. This means the negative impacts of these problems are profound.

In Chapter 4, Adam Stebbing examines how changing policy on retirement incomes has increasingly exposed Australians to the risks and inequalities generated by marketisation and financialisation. The chapter charts how private superannuation has been transformed from an exclusive occupational benefit for about one-third of the workforce in the 1970s to a mandatory private retirement savings vehicle now held by members of almost every Australian household. As private super has become a major source of lifetime savings, particularly for younger generations, the promise of a healthy and secure retirement has become increasingly entangled with financial markets, with their associated risks of volatility and failure. At the same time, existing inequalities between individuals are compounded, as superannuation savings are tied to earnings. Meanwhile, broader social inequality is exacerbated by the vast sums lost to tax concessions for superannuation, which are largely enjoyed by high-income earners. While the age pension exists to pool collectively the risks of old age, the financialisation of retirement incomes remains partial. Nevertheless, the rising importance of superannuation to retirement income policy has transferred the risks to households without increasing those borne by employers or the financial sector.
In Chapter 5, Georgia van Toorn investigates the genesis of the NDIS, which is one of the largest, most costly and rapidly implemented social policy reforms in Australia’s history. The chapter explores how the NDIS came to take the shape it has, drawing on interviews that reveal the behind-the-scenes advocacy that shaped the Labor government’s thinking as it developed the scheme. At the core of the design of the NDIS is individualised funding, and the chapter documents the role of transnational advocacy networks in facilitating the spread of this key market-aligned idea. The linking of disability rights advocacy to a market reform agenda emphasising consumer sovereignty, cost containment and market primacy helped build consensus and support for the scheme among disparate groups. However, the resulting market design has blunted the emancipatory potential of increased ‘choice’ for disabled people. One reason is that, as the market was introduced, state governments closed or privatised their publicly provided disability services. This has left some very vulnerable people without access to services either because they do not qualify for the new scheme or because there is no provider of last resort in the market.

In Chapter 6, Gabrielle Meagher and Richard Baldwin examine the evolution of the market for residential aged care over more than half a century. Although mostly publicly funded, most nursing homes are privately owned by non-profit and for-profit organisations. Over time, the balance of power between government funders, private providers of different kinds and older people as residents has shifted back and forth as governments have sought to manage the nursing home market and providers have sought to control their own operations and make money. The focus of the chapter is how successive policies have promoted or suppressed the growth of for-profit provision, since the weight of evidence is that the average quality in for-profit nursing homes is lower than in non-profit and public nursing homes. The chapter shows that, before 1997, there were partisan differences in the approach to for-profit provision and policy differences in the treatment of non-profit and for-profit providers. Although increasingly cost-conscious as time went on, Coalition governments sought to defend and promote the private sector, while Labor sought to improve access to care for disadvantaged groups, to control rent-seeking by for-profit providers and to increase care quality by growing the non-profit sector. Since 1997, under the apparently bipartisan market principle of competitive neutrality, all providers have operated under the same market rules, and governments of both colours have increased the depth of marketisation of residential care in some
dimensions. By examining the relationship between market design and ownership of residential care over time, the analysis aims to help identify risks with the current direction of residential aged care policy.

In Chapter 7, Laura Wynne, Kristian Ruming, Pranita Shrestha and Dallas Rogers examine how federal and state governments have increasingly looked to the private sector to fund, construct and manage social housing stock. Historically, state governments constructed and managed public housing, with Commonwealth funding through periodically negotiated arrangements, such as the Commonwealth–State Housing Agreement and, more recently, the National Affordable Housing Agreement. However, in recent decades, the private and not-for-profit sectors have become central to social housing delivery and management as housing policies have marketised and financialised the sector. Taking the case of New South Wales, the chapter shows how the construction of new housing stock has come to be delivered through partnerships with private sector developers, primarily through the large-scale regeneration of existing public housing estates. Meanwhile, management of social housing tenancies has increasingly been delegated to not-for-profit community housing providers, which have also gained a role in funding and constructing new stock. Both these shifts have resulted in new finance, governance and tenancy management configurations and have seen the state step back from the direct delivery of social housing as a vital social service for citizens looking for secure and affordable housing.

In Chapter 8, Adam Stebbing examines another aspect of the Australian market for early childhood education and care (ECEC): how these services are funded. In recent decades, the radical marketisation of the sector has coincided with its rapid expansion, driven by the increased labour force participation of women and the growth of generous public subsidies for private provision. The proportion of children using ECEC has increased considerably over recent decades, which is one measure of success. However, inefficiency, inequity, poor accessibility for some groups and variable quality are evident, with public subsidies contributing to these problems by placing few limits on the rent-seeking behaviour of for-profit providers. The chapter charts the evolution of public subsidies for child care, highlighting the political choices behind the designs of the various policy instruments (tax expenditures, cash benefits and rebates) governments have used. The chapter shows that each of these instruments
affects the behaviour of providers in different ways, tending to increase or decrease rent-seeking and price inflation, and to increase or decrease the extent to which ECEC is accessible to lower-income families.

In Chapter 9, Bob Davidson begins by recognising that marketisation has often been counterproductive in achieving the key goals of social services, as also shown in other contributions to the volume. However, the chapter goes beyond criticising existing social service markets. Instead, it makes the case that the limited and strategic use of market mechanisms can consistently improve social services and, more specifically, a public provider represents a powerful policy instrument that can make social service markets work better than they do with private providers only. Davidson articulates the benefits of public providers at the individual and systemic levels and offers a set of operating principles for public providers to ensure they can achieve their potential in enhancing market operations and outcomes. The core of the chapter sets out how a well-functioning public provider can improve a social service market, by providing high-quality and efficient services to a significant proportion of people; by acting as a provider of last resort for people and regions poorly or not serviced by private providers; and by setting sectoral norms that other providers must follow to remain competitive. In these ways, a public provider can both limit the exercise of market power by other providers and use its own market power in the public interest, acting as a powerful countervailing force to others’ poor behaviour. Benefits can include more stable, accessible and equally distributed services of higher average quality, increased efficiency, reduced total cost of services and facilitation of other goals of marketisation, such as choice, innovation and diversity. The challenges in maintaining, re-establishing or establishing such exemplary providers are not inconsiderable—but nor are the risks of not doing so, as attested by the ongoing royal commissions and myriad audit reports and evaluations cited in this volume.

We began our work with our contributors in early 2018. Since then, the social service system—like everything—has been shaken by the Covid-19 pandemic. Most chapters address directly in an epilogue the impact of the pandemic on the social policy subsystem they analyse. In the context of the pandemic, and the challenges revealed in their research, all contributors consider ‘where to now’.
The volume’s Conclusion reflects on the assembled findings of the collection in the light of international research and points to aspects of marketisation in Australia that are yet to be critically assessed. We also consider how the Covid-19 pandemic has affected thinking about marketisation and its ongoing implementation. On one hand, the pandemic has revealed the fragility of market encroachment into health care and social services, resulting in calls for its reversal in rich democracies around the world, including by Anthony Albanese (2020), now Australian prime minister. On the other hand, it has also provided fertile ground for rent-seeking by private interests and its economic consequences reinvigorated calls by the private sector for tax cuts and deregulation in the name of the ‘post-Covid recovery’—calls that fell on open ears in Australia’s former Coalition government (Coorey 2020).

References


DESIGNING SOCIAL SERVICE MARKETS


This text is taken from *Designing Social Service Markets: Risk, Regulation and Rent-Seeking*, edited by Gabrielle Meagher, Adam Stebbing and Diana Perche, published 2022, The Australian National University, Canberra, Australia.