

25 July 2016

Dear Commissioners

Please find attached TACSI's submission to the June 2016 issues paper 'Human Services: Identifying sectors for reform'.

We regularly see how current market conditions unintentionally inhibit both the development of services that work for people, and the spread or 'scaling' of those services. We believe that there is significant opportunity for intelligent adjustment to market conditions, and redesign of systems, to create benefits for some of the most vulnerable people in Australia. It seems to us that in many areas of human services the design of commissioning is a powerful lever for social and economic benefit which is rarely used to its full advantage.

We welcome this work, and would be happy to participate in further discussions on the topic.

Regards,

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Designing Human Services Systems for Outcomes.

25 July 2016

Introduction

The Commission is requested to examine the application of competition and user choice to services within the human services sector and develop policy options to improve outcomes. These options should lead to improvement in the sector's efficiency and effectiveness and help to ensure all Australians can access timely, affordable and high quality services, which are appropriate to their needs and are delivered in a cost-effective manner.

At TACSI, we view improved human services as services that efficiently and effectively create outcomes for the people they serve, at scale. Effective markets across all human services would allow this to happen more efficiently.

In the core areas of our work in ageing, child protection and disability, as well as our exploratory work in areas including employment services, we regularly see how current market conditions unintentionally inhibit both the development of services that work for people, and the spread or 'scaling' of those services. We believe that there is significant opportunity for intelligent adjustment to market conditions, and redesign of systems, to create benefits for some of the most vulnerable people in Australia. This is true in highly engineered systems such as employment services and less engineered systems such as the state based procurement of child protection services. It seems to us that in many areas of human services the design of commissioning is a powerful lever for social and economic benefit which is rarely used to its full advantage.

Examples from our experience

1: How contracts focused on short term outputs are getting in the way of long term outcomes for jobless young people.

In our work designing new kinds of employment services we conducted qualitative research with a number of young people, some who had cycled repeatedly through employment services without sustaining long term employment. Under current contracts employment service providers are paid for placing a young person in a job, with payments made when a placement has been sustained for 16 and 26 weeks. Providers are incentivised to provide work placements, which leads to some young people who have trouble sustaining work because of mental health or chaotic life issues finding themselves in a cycle of failed placements. Without ever receiving the time or support to address the conditions that would make them work ready. The logic behind the 16 and 26 week payments is unclear in terms of outcomes, recent research from New Zealand suggests that it takes 60 weeks of sustained work to reduce the likelihood of benefit claims to the population average.

2: How systems can be poor at detecting and spreading what works.

In child protection services across Australia, providers deliver against contract outputs which are often developed in isolation of practice knowledge. We worked with one state child protection system in the process of outsourcing a particular part of the service that has a 70% failure rate. NGOs told us how they were taking desk-based approaches to develop new frameworks to bid for this work despite having no experience in the area. We also discovered a government team that had a 80% success rate. This team were not involved in the design of the contract, the model they had developed was not known to the outsourcing team and they had been officially disbanded some years prior. We proposed that the government engage in collaborative design process with NGOs and the in-government team (with an 80% success rate) to develop a new model that could be provided as an open-source minimum benchmark for NGO service deliverers.

Common Weaknesses

Across these systems we have concluded that there are a set of common weaknesses that could present concrete opportunities for the Productivity Commission to influence the improvement of human services.

Existing systems such as child protection and employment services commonly:

- Measure market performance against delivery of output based contracts where there is little or no evidence, or underlying logic, of those outputs leading to long term outcomes. Eg payments made at 16 and 26 week intervals for job seekers in employment services.
- Create few and irregular incentives for service providers to conduct genuine research and development activities. This means that service providers don't get the opportunity to build specialist capabilities in research and development, there is little improvement in the performance of services over time and there are few breakthrough innovations. Many social services have changed little over the last 20 years or more.
- Use desk-based methodologies to engage in 'innovation' work rather than following best-practice experimental and evidence based approaches such as user centred service design, including methods such as rapid-ethnography and prototyping.
- Design and manage markets from a contractual compliance perspective rather than a 'benefit to people' perspective. In child protection this is exacerbated by the siloing of expertise between practice - 'the people who know what works' - and procurement - 'the people who write contracts'.
- Set up an adversarial and transactional relationship between government and service providers, despite both parties having, in theory, a shared aim to create change for people.

Opportunities for improvement

We think the situations in these underperforming markets could be improved if commissioning bodies:

1. Shaped and re-shaped markets based on intelligence about the outcomes of end users.
2. Designed systems to develop promising ideas, build evidence from promising practice and spread proven practice. In parallel, ineffective practice should be detected, problematised and decommissioned.
3. Encourage non-professional delivered services (eg services delivered by peers with or without training and/or remuneration) alongside and/or in competition with professionally delivered services where appropriate.
4. Explored the potential of 'matching markets' in areas where human services are provided through case worker type models. Currently, clients rarely, if ever, can choose who helps them, yet we know that the relational connection between client and worker is a powerful predictor of change in many contexts. Choosing your care giver, case worker or other (individual) provider could be a more important choice than choosing the organisation to provide service delivery. Understanding the potential inseparability of the quality of service provision and way people relate to service providers may be fundamental in ways that are much less true in many commercial markets.
5. Actively developed the sophistication of clients/consumers, to the extent practical, to collaborate in the process of understanding, choosing and using services to meet their own needs. This is particularly important for vulnerable groups, which would represent the majority of human service users. TACSI have conducted research on this topic for the NDIA, exploring how interfaces to the NDIS would need to be designed to enable choice and control for people with a full range of disabilities. We would be happy to discuss this further.

Building government systems with Brains

The terms of reference ask the Commission to explore "the introduction of greater competition, contestability and user choice". These are important factors, but in order to decide how competition, contestability and choice can optimise performance in particular human service markets the Commission needs to pay attention to the design of the 'brain' in these markets.

Here, we use 'brain' to describe the systems of intelligence gathering, judgement, market experimentation, evaluation, judgement, knowhow and market shaping that are likely to sit within government. A 'brain' works out what creates outcomes and what doesn't. A 'brain' would know how the system is currently performing and how to improve and grow services when they are working. A 'brain' could also ensure that knowledge is transparent to outsiders and widely shared for learning.

In many of the sectors in which we work, although the initial system rarely performed as we would like to see, increased outsourcing has in fact reduced expertise as to what works. The risk is that government has become an expert in contract management, and service providers have become experts in 'contract delivery'. 'Brains' have atrophied on both sides.

We'd like to see the Commission reverse this trend and enable both to be experts in 'outcome creation for vulnerable groups'. We work with some of the most progressive government departments and service providers and they often struggle to keep their 'brains' intact because of the larger forces operating around them.

In a recent lecture given to the Business Services Association in the London, Professor Gary Sturgess likened 'public service markets' to corporate supply chains rather than commodity markets.

"If Ford mismanages its supply chain, so that its vehicles burst into flames, there is no point blaming their suppliers. It is Ford that will face the cost of recall. It is Ford's brand that will be trashed. It is Ford's share price that will suffer. And while Ford may lay off some of the blame on its suppliers, it is Ford that will bear the vast majority of the reputational and financial cost."

Companies like Ford hold a strong point of view of what's good and they actively work with their supply chain - building their capability to deliver, including supporting them with innovation and fostering collaboration and information sharing between different suppliers. This rarely happens in government. We've found Sturgess' thinking on commissioning to be hugely useful in thinking about how to design systems for outcomes.

In supporting the idea that disability services should have greater user choice, the Productivity Commission enabled a major shift in how a sector operates run. We believe the Commission could also create a major shift across human service markets, such as child protection and employment services, by focusing on the significance of government developing 'brains' - centres of knowledge and capability - that would lead to government and service providers intelligently and collaboratively pursuing new and better ways of achieving outcomes for our most vulnerable people.