



Understanding how the public sector organises and controls the outsourcing of human services

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Certificate of original authorship

I, Shona Bates, declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Accounting Discipline Group of the UTS Business School at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

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Abbreviations

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Services
AIHW	Australian Institute of Health and Welfare (Australian Government)
AOD	Alcohol and Other Drugs (often in relation to treatment programs)
ASX	ASX Ltd operates the Australian Securities Exchange
CasePHN	The Case Organisation operating one of 31 Primary Health Networks
CMO	Community Managed Organisation
CoI	Conflict of Interest
CPI	Consumer Price Index (measure of household inflation)
Cth	Australian Commonwealth
Divisions	Divisions of General Practice (1992–2011)
DoH	Australian Government Department of Health
DHS	Australian Government Department of Human Services, now Services Australia
ED	Emergency Department (hospital)
Folio	CasePHN's online contract management system
GP	General Practitioner (Medical Doctor)
IT	Information technology
KPI	Key performance indicator
LHD	Local Health District (NSW)
LHN	Local Hospital Networks
MBS	Medicare Benefits Scheme
MDS	Minimum data set (for example, collected for AOD and mental health)
MH	Mental health
MSA	CasePHN Master Services Agreement
nd	Non-dated
NDIS	National Disability Insurance Scheme (Australia)
NGO	Non-government organisation
NPM	New public management
NSW	New South Wales, Australia
PBS	Pharmaceutical Benefits Scheme
PHN	Primary Health Network
PPP	Public private partnership
PSO	Public Sector Organisation
Provider	Primary health care service providers
Program	Primary Health Network Program
SFA	DoH Standard Funding Agreement
TCE	Transaction Cost Economics (theory)
WHO	World Health Organisation

Abstract

Public sector organisations (PSOs) outsource a range of activities, including human services such as health and social care. Transaction cost economic (TCE) theory suggests human services are difficult to contract over due to high asset specificity, uncertainty and frequency of transactions; the way human services are organised and controlled is also likely to be affected by probity requirements. The inter-organisational management control literature suggests relational control strategies — strategies that are nimble and adaptive — are best suited to activities of low contractibility; yet, where probity requirements are high, bureaucratic control strategies may be more appropriate. Given this tension, the objective of this thesis is to explain how the public sector can organise and control the outsourcing of low contractible human services. Using a qualitative case study of the outsourcing of primary health care services by the Australian Government, I use an abductive approach to explain how PSOs moderate the tension between low contractibility and probity when outsourcing human services. My findings contribute to the inter-organisational management control and TCE literatures, and practice.

First, I develop the conceptual specification of probity which has been largely ignored since its introduction to TCE in relation to sovereign transactions. I show probity arises from the nature of the party to the transaction and the context, and the nature of the service being contracted over including the value and nature of services (due to requirements outside of the contract). I also identify two types of probity: financial probity relates to the transparent, equitable, ethical and efficient use of public resources; social probity relates to the public sector's responsibility to ensure the safe and effective delivery of contracted services. Financial probity is likely to be constant and associated with transaction party/context, while social probity is likely to vary and is associated with both the party/context and the service.

Second, using the conceptual specification developed above, I extend our knowledge of how probity requirements are satisfied. Financial probity requirements are likely to be satisfied consistently and exclusively using bureaucratic controls. Further, relational controls are unlikely to satisfy probity requirements and are absent from this setting, irrespective of transaction characteristics present. Social probity requirements are also satisfied using bureaucratic controls, tailored to each arrangement in consultation with key stakeholders.

Third, I identify an intermediary 'triadic-by-design' model which is able to purposely change the contractibility of the outsourcing arrangement. The intermediary model changes the nature of what is contracted over by the PSO, and changes the boundary conditions where the low contractible services are organised, thus moderating the tension between low contractibility and probity in public sector settings. The findings help scholars better understand the transaction characteristic of probity and how the public sector can organise low contractible arrangements — both of which also have the potential to inform policy and improve practice.