**“When Markets go wrong: how private sector outsourcing failed children in care in England”.**

**Do care markets respond to need in children’s social care? An observational analysis of children’s homes in England 2014-2023.**

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Target journals: 1) SS&M after spamming top PH journals?

1. **Introduction**

Children in care in England are increasingly placed outside of their local area, in unregulated placements, or aren’t receiving the kinds of care they need. The poor provision of these services has led to the independent regulator of markets describing the sector as “dysfunctional”. The consequences can be severe, children in care have their lives disrupted with many placements moves, and often end up living far away from their families and support networks and are criminalised at extensive rates. The reasons for this development are heavily contested, with some blaming the rise in for-profit provision, and others blaming market regulation and funding.

What is this crisis of care provision? Often termed ‘sufficiency’, the levels of needed provision aren’t available. In England, children in care are primarily placed in foster care, children’s homes, or are adopted by families – all of which are reportedly undersupplied. Services are funded by Local Authorities (England’s local government jurisdictions), then it is the duty of Local Authorities to commission services from a competing market of private and public providers. The number of children in care has increased by 30% since 2010 – but during the same time, the real terms spending power of LAs has declined. The prospects, then, for LAs to invest capital in creating new publicly-owned provision is limited. In lieu, LAs have turned to the private market – but this has failed to resolve the sufficiency issue and the problems around placement quality have worsened.

One particular issue pertains to the children’s homes market – qualitative accounts report that residential services are too often located in rural areas. And then, children are forced to move many miles from home to be placed in children’s homes, losing touch with their support networks, social workers, and family. In theory, private markets are argued to be more responsive to consumer need than public services – so why has it gone wrong for children’s social services?

Answers as to why the market is failing to deliver the necessary services are contentious. Some suggest that profiteering from for-profit children’s homes providers means they are locating in cheaper areas to maximise profits. Others suggest that planning regulations and workforce access make it impossible for all providers to be located where needed.

This is the puzzle of this paper – does profit-seeking mean children’s homes are opening where they aren’t needed? This is of huge importance, because the answer could clarify whether the solution is to liberate the private market – or reign it in. The paper answers this by looking at a data resource identifying complete openings and closures of children’s homes in England 2014-2023. We test whether children’s homes with profit-seeking characteristics (for-profit, chain, private equity status, foreign ownership, poor quality ratings) are more likely to open in cheaper and low-need areas.

* 1. **How do outsourced care markets meet need, theory and practice**

Many health and social care services have been marketized in high-income countries. Creating a purchaser-provider split, has the intention of utilising competition as the driving force of innovation, quality, and cost-efficiency. Proponents of this move argue that an outsourced market varies provision in a way that allows consumers to choose, and the best services to prosper. The arguments often rely on economic theory, around the behaviour of rational actors in ideal market systems.

However, care markets have many distinctive features that sometimes make competition less evidently desirable. First, competition often needs easily measured and widely known measures of quality. This is often not the case in care markets where quality is a complex concept and the understanding of quality is often obscure to consumers of these services. Second, the costs of service failure are much higher. A market functions through variation – good services thrive, bad services fail. But if a care service fails, this has huge implications on the lives of the users. Receiving poor care, and experiencing disruption to care can be deadly in many cases. Moreover, variation intrinsically involves inequality in service provision – maybe this is desirable in the fulfilling specialised needs, but it is also likely to result in some people systematically receiving poorer care than others. Thirdly, the ability of consumers to choose different services is constrained in many ways. Often there are public commissioners assigning service provision, and changing service may not be a feasible option for people with acute care needs.

Children’s social care in England functions in a particularly distinctive way, in that the service user’s preference is often not the determining reasons for a service being used. There is often limited or no choice and limited user feedback. As such the market functions purely through the processes of commissioning. Moreover, there is effectively only publicly-funded provision. Children’s homes do not frequently have self-funded users to shape their service. Then,…

**1.2. For-profit provision in England’s children’s social care**

Children’s homes and fostering services are increasingly run by for-profit providers in England. This trend as related with the worsening of care quality – a phenomenon attributed to the cost-cutting behaviours of profit-motivated providers. The commercialisation of this particular service has more political provocation than most, given the risk it is perceived to run for children, many of whom have experienced severe trauma and are in positions with minimal power. Ethically too, many are concerned with the creation of financial surplus, at the direct expense of children in care. And the policy responses are beginning to be implemented, with Wales banning for-profit provision and England proposing capping profits.

Two major debates exist: first is a debate around mechanisms. For-profit care coinciding with worse quality placements does not necessitate that for-profit providers are the source of the issue. Potentially, they could do different kinds of services, which makes comparison difficult – potentially under estimating the difference, or potentially over-estimating it.

The second key debate is about whether the categorisation of “for-profit” provider hides lots of variation between different kinds of companies – effectively those with interest in social good, and those without. Is it the case that outsourcing to all for-profit providers is bad, or whether if the service was constrained to a sub-type of for-profit provision, then

These are the two debates this paper seeks to address: are placements worsened by for-profit provision? And can we identify this in providers with theoretically the strongest profit motives.

1. **Objectives**

**Theoretical estimands:**

1. The number of private sector providers opening children’s homes according to the previous’ years need vs house prices.
2. The number of private sector providers opening children’s homes according to the previous’ years need vs house prices.
3. The number of children placed locally according to openings in previous year.

**3, Methods**

* 1. **Data**

We

1. **Results**

**Descriptives**

A graph with a line

Description automatically generated with medium confidence

**RQ 1: Does private market investment respond to need or costs?**

**Background:**

* RQ: Do markets respond to need or $$$?
  + Answer is obviously “but ‘need’ should equate to $$$ in a functioning market”
    - But what if it doesn’t…
    - And it fucking well doesn’t…
* Context: National market, children sent a long distance, market has been drowning with gross money incentives, austerity.
* Framing: Children are not commodities – here is why it matters.

**Analysis 1:**

* Are the areas with the most ‘need’ also the ones with the biggest problems? Is the market providing? Descriptive stats on need and sufficiency:
  + Variation in proportion of CLA by LA over time.
  + Children homes vs fostering ratio.
    - Or ratio children in need/ LAC

**Suggested analysis 2:**

* How does this relate to:
  + Children placed out of area.
  + Unregulated placement usage.

**Analysis 3 (maybe):**

* Is the market responding to need? Regression analysis of:
  + Providers opening in the right/wrong place.
    - Closure/openings ~ changes in CLA over time.
    - Closure/openings~ Unregulated placement usage (local need)
    - Closure/openings ~ Children placed out of area (local need)
    - Closure/openings ~ House prices
  + Providers offering the right/ wrong types of services.
    - New provider specialisms ~ change in type of need
    - Foster vs children’s homes
  + Providers accepting/ denying children care.
    - Reasons for end in placements by ownership

**Analysis 3:**

* Does the commodity suffer? Regression analysis of:
  + Local sufficiency -> quality of placement -> missing incidents

**Discussion:**

* Why does it matter? We know the market is failing but is the answer just to make the market freer?... maybe not…
* Solution = a) make care pay or b) burn the market to the ground