Co-Production and Value Co-Creation in Outcome-Based Contracting in Public Services

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Abstract

This paper contributes to theorizing and analysing different processes of co-production and value co-creation within outcome-based contracting (OBC). It investigates how different OBC mechanisms are implemented in practice, and with what implications for public service users’ experiences and outcomes. Using realist synthesis techniques, the paper analyses existing evaluations that focus on users’ experiences of OBC in welfare-to-work services and a homelessness project. It highlights how OBC can affect equality, effectiveness and innovation within public services. The paper also exemplifies the importance of analysing how the political and policy context of public services affects both service pathways and their outcomes.

Key words
co-production, outcome-based contracting, payment by results, social impact bonds, value co-creation
INTRODUCTION

Outcome-based contracting (OBC), where service providers have some payment dependent upon the achievement of specific outcomes, is taking on increasing international significance as a model of commissioning in public services reform. Other terms that incorporate outcome-based contracts include payment by results (PbR), performance-based contracts, payment for performance and social impact bonds (SIBs). The latter are also known as pay for success (in the US) and social benefit bonds (in Australia). A range of countries including the UK, the US, Australia, Canada, Germany, Belgium and the Netherlands are using these types of contract in different public services, and the UK has a range of pilots and programmes where OBC is being implemented (e.g. DCLG 2012, 2014a, 2014b, 2014c; Ministry of Justice 2014). Whilst there is a considerable diversity of public service contexts in which OBC is being developed, there is remarkably little research that compares how different OBC processes operate over different service and policy contexts (Audit Commission 2012). The UK National Audit Office (2015) highlights how there is little monitoring and comparative work across different PbR programmes. Further to this, whilst there have been a series of UK government funded evaluations of pilots and programmes, currently there are surprisingly few that expound in detail on the experiences and perspectives of service users under these contract types.

The paper has two purposes; first to develop a conceptual framework that builds on a public service–dominant approach (Osborne, Radnor, and Nasi 2013) in order to understand and analyse the different elements of co-production and value co-creation within public services that use OBC. Second, it uses this framework to analyse how co-production may occur in practice in OBC, using existing literature that expounds upon the experiences of service users within OBC. This provides a grounding for further proposed research that seeks to understand the implications of OBC across different public services, using this new conceptual framework. The research question that this paper seeks to answer is: how are different OBC mechanisms implemented in practice, and with what implications for: the co-production of services; service users’ experiences; and the outcomes users derive from such services? This question is answered through the analysis of secondary data, including evaluations and literature that expands on service users’ experiences in different public services that use OBC within the UK. The paper contributes to understanding the relationship between co-production and value co-creation within OBC. It highlights the importance of understanding and analysing the political context within which service experiences and outcomes occur. The paper also contributes a comparative analysis of OBC across different services, which has been highlighted as a key area for further development (National Audit Office 2015).

Within private sector commercial businesses the implications of OBC have been analysed using a service system and service-dominant logic (Ng, Maull, and Yip 2009; Ng, Williams, and Neely 2009). A service-dominant logic develops a ‘value co-creation’ model (Vargo 2011) where value can be understood as an emergent property
that is co-created through both providers and consumers bringing resources together in service systems (Vargo 2011). It is through providers and service users bringing their respective resources together within a service system that value is co-created, which can lead to service outcomes for clients (Vargo, Maglio, and Akaka 2008; Ng, Williams, and Neely 2009). This paper applies a public service–dominant logic (Osborne, Radnor, and Nasi 2013) to the phenomena of OBC within public services. A public service–dominant approach conceptualizes the user as an inherent co-producer of services and highlights the importance of putting the service user’s experiences at the heart of analysis (Osborne, Radnor, and Nasi 2013; Radnor et al. 2014). This paper develops Osborne and Strokosch’s (2013) conceptualization of co-production, incorporating a greater focus on the development of outcomes. A wide definition of user and community co-production of public services is employed, understood as ‘professionals and citizens making better use of each other’s assets, resources and contributions to achieve better outcomes and/or improved efficiency’ (Bovaird and Loeffler 2012, 4). This paper begins by providing an overview of the different areas where OBC has been implemented within public services in the UK. It analyses existing literature on the consequences of OBC for commissioner and provider systems, and how service provision has been affected in different OBC programmes. It then examines and extends models of co-production (Osborne and Strokosch 2013) using service-dominant theoretical approaches and Bovaird and Loeffler’s (2012) conceptualization of co-production. This contributes towards theorizing how particular public service outcomes are co-created within their specific political, policy and economic context, which may support or limit the extent to which particular outcomes may be achieved. This theoretical work is then applied to examine the different roles of co-production within two particular cases of OBC. Using realist synthesis techniques (Pawson 2006), existing literature and evaluations are analysed in welfare-to-work schemes and homelessness services, chosen particularly for their accessible detailed material about the experiences of service users within OBC. This analysis illustrates how different elements of co-production and the development of outcomes operate in practice. In addition, it explains how the policy and political context of OBC can affect the assumptions underlying a specific service intervention, the design of particular incentives within this, and how outcomes are both achieved and measured. The paper highlights the implications of OBC for issues of equality, effectiveness and innovation, taking into account the political and policy context of public services.

**OBC IN PUBLIC SERVICES**

Following the trajectory of marketization, in England there have been a number of recent policies that develop competitive commissioning within public services. The Open Public Services White Paper (HM Government 2011), the Health and Social
Care Act (2012) and the Public Services (Social Value) Act (2012) all further embed competitive markets within public services. Within commissioning, there has been a strong policy focus that moves from paying for services by content, activity and targets, to new systems of PbR and OBC. In particular, the Open Public Services White Paper (HM Government 2011) promoted service provider contracting systems that link payment with service user outcomes. OBC in public services can be defined as contracts that specify a proportion of payment to providers dependent upon the attainment of specific service user or community outcomes (Bovaird and Davies 2011). Outcome-based contracts have sometimes been called ‘Payment by Results’ (PbR) by the UK Coalition Government (2010–2015); defined as ‘the practice of paying providers for delivering public services based wholly or partly on the results that are achieved’ (Cabinet Office. 2013). However some PbR contracts have only specified process targets rather than outcome measures for service users or communities. For example the ‘PbR’ system in the NHS in England is actually based on volume and type of work, rather than the achievement of specific service user outcomes. To avoid conceptual confusion, these systems could be named ‘payment for activity’ (Culley et al. 2012) to differentiate them from other PbR systems that pay according to explicit service user outcomes such as employment attained and maintained (Lane et al. 2013), reductions in reoffending (Disley and Rubin 2014) and drug and alcohol recovery (Culley et al. 2012).

In the UK, since 2010, there have been a considerable range of different OBC pilots and programmes within a variety of public services. These include welfare-to-work and employment services through the Work Programme; drug and alcohol recovery PbR pilots; the ‘Troubled Families’ programme (DCLG 2012); services for excluded young people (DCLG 2014a); ‘Transforming Rehabilitation’ (Ministry of Justice 2014) in the criminal justice system; and OBC in health (Addicott 2014), children’s services and housing (DCLG 2014b). In addition to this, SIBs involve an outcome-based contract between a commissioner and delivery agency (Warner 2013). In the UK, operational SIBs can be found in services that reduce reoffending (Disley and Rubin 2014); improve employment prospects; support fostering and adoption, support vulnerable young people to improve education and employment prospects; and reduce homelessness (Cabinet Office 2014). At present, the diversity of OBC programmes and SIBs in the UK mount to an estimated public spending budget of at least £9 billion including the Work Programme and Transforming Rehabilitation PbR contracts (Farr 2015). Current OBC research tends to focus on evaluations of specific OBC- or PbR-related programmes (e.g. Hudson et al. 2010; Culley et al. 2012; Disley et al. 2014; Disley and Rubin 2014; DCLG 2014b, 2014c) or sector-specific issues (Rees 2014; NCVO 2014). Whilst proponents of OBC claim that it will enable ‘better for less’, delivering savings, greater accountability on outcomes, service innovations, deferring of costs and the transfer of risk from commissioners to providers or funding bodies, actual evidence for these claims is mixed (Audit Commission 2012).
Different consequences of OBC can be categorized into two areas: first, implications for commissioner and provider systems and second, implications for the services that are offered by these organizations. First, in some areas, the private sector has often been instrumental in promoting OBC (e.g. NHS Confederation and PWC 2014; Haldenby, Harries, and Oliff-Cooper 2014). Such systems further embed markets into public services and some OBC systems enable private organizations to establish themselves as prime contractors who manage multi-million pound contracts, whilst reducing provision diversity (Rees, Mullins, and Bovaird 2012). Some research suggests an adverse effect on smaller, voluntary sector organizations with additional costs and risks (Shutes and Taylor 2014; NCVO 2014) whilst others highlight new opportunities (Miller 2013). Being a relatively new contracting approach, there is a long-term risk associated with the unpredictability of future outcome payments which could lead to higher costs in the long term (Audit Commission 2012). Additional transactions costs may occur due to the administrative issues of outcome evidencing, alongside more methodological problems of the timing of outcomes, attribution, multiple causality, counterfactuals and evidence. Implementation paths to outcomes can be contested, with choices of pathways and policies to achieve outcomes being an ‘arena for power plays’ (Bovaird 2014, 6), with decisions based upon political or ideological assumptions. In addition to this, in cases of multiple deprivations, the Audit Commission (2012) highlights that linking action and outcomes may be much harder. For example, different service users may have a range of organizations supporting them, e.g., for someone to be supported off drug dependency they may need health services, counselling, social support, housing and employment support. How the outcome of rehabilitation can be attributed to different organizations within this complex system of support services may be highly contentious and methodologically questionable.

Second, focusing on the implications of OBC for service provision, service users with more complex needs may be given worse service provision, the UK Work Programme being an example of this (Public Accounts Committee 2014; Shutes and Taylor 2014). This is due to practices of ‘creaming’ (where clients can be easily supported to achieve outcomes) and ‘parking’ (where clients are ‘harder-to-help’ and are ‘neglected’) (Hudson et al. 2010; Shutes and Taylor 2014). The UK experience of creaming and parking is mirrored in international OBC examples in employment services, and is particularly prominent where there are ‘light touch minimum standards and monitoring, tight performance targets and cost pressures’ and a substantial number of for-profit providers (Carter and Whitworth 2015, 279). In the UK, it has been suggested in the ‘Troubled Families’ programme that services may be focused on families that can most easily achieve particular outcomes, leaving families who need additional support with less (Thoburn 2013; Parliament UK 2013). Differential payments and developments in contracting systems have attempted to overcome risks of ‘creaming’ and ‘parking’ (Lane et al. 2013) with mixed results. In a drug and alcohol recovery PbR pilot (Disley et al. 2014), there have been difficulties in defining service users’ levels of need to agree differential payments. However in some SIBs, there is less evidence of creaming and
parking occurring (Disley and Rubin 2014; DCLG 2014c, 2015). These issues highlight that the nature of contracting systems affects the dynamics of service delivery.

DEVELOPING A PUBLIC SERVICE–DOMINANT APPROACH

Conceptualizing co-production

This paper uses Bovaird and Loeffler’s (2012) definition of co-production which incorporates a wider focus on how public services may lead to outcomes. Here co-production can be understood as the processes by which professionals and citizens may support each other to make ‘better use of each other’s assets, resources and contributions to achieve better outcomes and/or improved efficiency’ (Bovaird and Loeffler 2012, 4). Bovaird et al. (2015) highlight that this broad definition includes a variety of different co-production processes which may require different types of input from service users. This paper illustrates that within this broad definition three different processes can be identified. The first element of co-production can be associated with what Osborne and Strokosch (2013) term a public administrative perspective. This views co-production as a participative element that can be added-on by policy makers and providers, where service users may be involved in the planning and design of public services. This incorporates elements such strategic planning and design (Osborne and Strokosch 2013), co-commissioning where citizens are involved in commissioning decisions, and co-managing services, such as school parent governors (Bovaird and Loeffler 2012). The second element of co-production is based on a services management perspective (Osborne and Strokosch 2013) that illustrates how within all service provision, co-production occurs through the interrelationships between service providers and users at the service interface, or point of service delivery. This process is associated with user empowerment where interactive communication and negotiation of needs between the provider and user occurs. The way in which providers and service users communicate, respond to each other and the providers apply particular knowledge and resources to the service user’s personal situation all constitute elements of the inherent co-production within a service. The third element extends Osborne and Strokosch’s (2013) conceptualization by building on Bovaird and Loeffler’s (2012) emphasis on outcomes, including an asset-based perspective that conceptualizes how service users’ capabilities and resources contribute towards outcomes. A service-dominant approach conceptualizes how value is co-created through both providers and consumers bringing resources together in service systems (Vargo 2011). This means that customers or clients need to apply their own resources within service provision alongside the provider. It is through this process that value is co-created which can then lead to service outcomes for clients (Ng, Williams, and Neely 2009). For example, in health, the development of outcomes and the process of value co-
creation may include taking medication as prescribed or changing aspects of a lifestyle to account for a particular condition. It is here that citizens are using different assets, skills and resources to co-create value. This can happen in a broader social context outside the sphere of influence of the service provider. Thus the process of value co-creation has to be understood within wider ‘service systems’ (Vargo, Maglio, and Akaka 2008). Many other actors and resources within a service system may also have an influence upon how particular outcomes are co-created. These different aspects of co-production and value co-creation are illustrated in Figure 1.

**Value co-creation and outcome development within its political context**

The idea of the service user bringing resources to the process of the co-creation of value and outcomes is particularly important in relation to public service delivery. Different service users have unequal access to resources, capabilities and skills, and indeed, it can be for this reason that they have to turn to a public service. The amount and type of resource that a public service user brings to the process of value co-creation can impact upon the outcomes achieved. For example, a service user of an employment programme may bring the resources of professional knowledge and skill, which means they have more resources to co-create the outcome of employment gained. Social inequalities in resource distribution and capabilities, and wider social, economic and political systems may substantially contribute to the extent to which particular public service outcomes are achieved. This takes our analysis away from understanding services as
discrete and transactional, towards understanding their relational and complex nature within a range of policy and political contextual factors (Osborne 2010). This means accounting for power relations, inequality, politics, state coercion and citizenship within a public service–dominant logic.

Service providers take on additional risks in OBC because they become responsible both for their own and the service user’s role in the co-creation of outcomes within a wider system. One way of managing these risks is through aligning incentives and motivations towards the outcomes across both service providers and service users, to encourage collaboration (Ng, Maull, and Yip 2009). The specification of an outcome is particularly important as both service providers and users need to be actively motivated to achieve such outcomes. However, whilst in private commercial services, motivations towards outcomes need to be aligned between provider and customer, in OBC within public services, there is an additional alignment problem with the presence of the government as stakeholder. The outcomes of public services can be both political and contested, and can include specific moral and ethical issues (Hoggett 2006). The pluralistic nature of public services may make it more difficult to align incentives and motivations across policy makers, service providers, service users and citizens. Thus the co-creation of value in public services has a political edge, value will mean different things to different stakeholders dependent upon their position and perspective. Whilst Vargo, Maglio, and Akaka (2008) suggest the foundational premise of a service-dominant logic is that value is phenomenologically determined by the beneficiary, in public service OBC the value of outcomes are determined and priced by the government through different commissioning systems. As Moore (1995, 38) notes ‘politics remains the final arbiter of public value’. If the government defines outcomes within OBC processes, does this ignore service users’ perspectives on what creates value for them? In OBC value co-creation becomes commodified through an exchange value being given by the government to particular public service outcomes. This means that service users’ activities and resources that co-create value and outcomes become commodified and priced. In this way, service providers appropriate service user activities towards outcomes which become the basis of exchange value. The service provider has had social outcomes valued, commodified and exchanged on the market by a process of measurement, evidence, valuing and contractualization. Whilst OBC attributes outcomes to contracted service providers, the actual co-creation of outcomes is dependent not only on a possible range of service providers and the service user, but also the social production of outcomes, where policy, political and economic factors are influential. For example, employment gained may be dependent upon local economies and the types of job available; housing sustained may be dependent upon availability of appropriate housing and also possibly the welfare benefit system which may (or may not) provide a citizen with sufficient resource to pay rent if their income is low.
To summarize, a public service–dominant approach highlights the importance of putting the service user’s experiences at the heart of the analysis (Radnor et al. 2014). The different elements of co-production and value co-creation have been identified, using a service-dominant logic to conceptualize how service users contribute resources in the co-creation of value and the development of outcomes. The policy, political and economic context in which services are set can have an important influence on particular service pathways, the choice of incentives for outcomes, the types of outcomes specified and how these may be achieved and measured. These issues have important implications for service provision and the experiences and value that service users can derive from public services.

REALIST SYNTHESIS OF OBC PROGRAMMES

A realist synthesis asks ‘what works’ in which contexts, for whom, when and why, and is particularly suited to areas where there is diverse and contingent evidence across a range of contexts (Pawson 2006) as in OBC. Within a realist synthesis purposive and iterative sampling is necessary, making judgements and attending to qualitative, historical and comparative data with focused analysis (Pawson 2006). In this paper to answer the research question (detailed in the introduction), a pragmatic choice has been made to focus on areas of OBC where service users’ experiences data are available. Many UK OBC pilots and programmes have included government-funded evaluations, Farr (2015, Appendix 1) listing the references of these. However, currently there are few publicly available government-funded evaluation reports that provide evidence and data on the experiences of service users within these contract types. If in a public service–dominant approach it is to be the beneficiary who determines value in a service system (Vargo, Maglio, and Akaka 2008; Radnor et al. 2014), then it is vital to understand the perspectives of service users in OBC programmes. The two areas where such evidence is available within the UK is the welfare-to-work Work Programme and the London Homelessness Social Impact Bond (DCLG 2014c, 2015). In addition to the analysis of these evaluation reports, a literature search was conducted to augment this material. Using Boolean search methods, the key words of ‘Work Programme’ OR homelessness ‘social impact bond’ AND (experiences OR service users OR claimants OR participants OR jobseekers OR homeless) were searched within the following databases: International Bibliography of the Social Sciences, Business Source Complete, Community Care Inform Adults, Ovid Social Policy and Practice, Scopus, Web of Science and APA PsycNET. This paper now analyses the welfare-to-work UK Work Programme, followed by the London Homelessness Social Impact Bond (DCLG 2014c, 2015).
Welfare-to-work and employment services

The Work Programme, introduced by the UK Coalition Government in 2011, is a welfare-to-work programme that uses OBC through a prime provider model to provide support for longer-term unemployed people to attain and maintain employment. Participants include: Job Seekers Allowance (JSA) claimants; and Employment Support Allowance (ESA) claimants who have health conditions or disabilities, and have been assessed to be able to work towards employment through appropriate support. Since the Work Programme began until June 2014, 1.6 million people have been referred to it with 331,000 participants achieving a job outcome (21%) (House of Commons 2014). The Work Programme completes referrals in March 2016 with its future developments currently being considered (NAO 2014).

Co-production at a strategic and design level

In the case of the Work Programme, employment outcomes have been designed by the government. These have been developed to include differential payments to attempt to combat practices of ‘creaming’ (where clients can be easily supported to achieve outcomes) and ‘parking’ (where clients are harder to help) (Hudson et al. 2010). However, differential payments have not been able to address the needs of particularly disadvantaged people (Shutes and Taylor 2014; Public Accounts Committee 2014), nor has it eliminated creaming and parking, which are seen to be systematically embedded due to cost pressures, diverse client needs (Rees, Whitworth, and Carter 2014) and the design of the differential payment groups (Carter and Whitworth 2015). Provider incentives operate through outcome payments which may have had adverse implications for equality of services for particularly disadvantaged people (Shutes and Taylor 2014) and those with ill-health or disabilities (Public Accounts Committee 2014). There has been little specialist provision for people with disabilities and whilst these service users felt that the most important service was to develop a package of support and flexible working practices in agreement with potential employers, such resources were rarely available to them (Hale 2014). OBC has been seen to have an adverse effect on smaller, specialized voluntary sector providers, limiting service diversity and innovation (Shutes and Taylor 2014; Hudson et al. 2010). Participants with higher levels of need are not being given the specialist services they might need; this also has an adverse impact on such specialist provider organizations, who find it difficult to survive without appropriate referrals (Riley, Bivand, and Wilson 2014). Incentives for service users are designed through sanctions. The UK Work Programme can be mandatory for service users; providers can dictate that users take on particular activities such as job searches, attending appointments, training and support. Sanctions and withdrawal of benefits can be applied where users do not attend. Sanctions are the primary ‘incentive’ mechanism.
for users, following a political discourse of ‘work first’ (Newton et al. 2012) and ideological assumptions of a ‘culture of dependency’ (Hale 2014).

Co-production at a service level
Whilst the Work Programme was originally designed to enable innovative approaches with minimum service specification, the extent to which this has led to co-production at a service level can be questioned. Service users who experienced services as personal, reliable, proactive and appropriately tailored to their needs were more likely to be positively engaged with the service (Newton et al. 2012, 94). However, service users who may face multiple issues or barriers to work tend to have had more difficult experiences. Service users claiming ESA often felt that services offered were highly inappropriate to specific needs, with few characteristics of personalization or co-production (Hale 2014, 39). Single homeless people on the Work Programme have felt ‘forgotten’, having ‘slipped through the net’ (Sanders, Teixeira, and Truder 2013, 6). Another report illustrates how homeless people have felt that Work Programme support was ‘poor or ineffective’ (Hough, Jones, and Rice 2013, 9). User experiences of sanctions suggest that they do not always help to align motivation towards outcomes. Most participants of the Work Programme said it made little difference to their behaviour, although a few said it did provide some additional incentive to attend (Newton et al. 2012, 84). Hale’s (2014) analysis of over 500 people who claimed ESA with health conditions or impairments found that 80% reported a negative impact on their mental well-being due to the threat of sanctions on the Work Programme, leading to participants feeling ‘fearful, demoralised and further away from their work-related goals’ (Hale 2014, 5). Homeless people who were sanctioned found that this could lead to housing problems, food poverty, and increased anxiety, with some people committing ‘survival crime’ (Homeless Watch 2013, 14). The DWP evaluation gives more mixed evidence with some provider staff seeing they contributed to engagement whilst others suggested that sanctions could move people further away from employment outcomes as they reduced trust, increased ‘reluctance to engage’, (Newton et al. 2012, 81) and users had less money to live on thus finding it harder to gain employment. These service user experiences show the importance of the inherent elements of co-production within a service contributing to the longer term co-creation of outcomes.

Value co-creation through the development of outcomes
Resource integration perspectives extending from a service-dominant logic provide a theoretical rationale for why ‘creaming’ and ‘parking’ may be occurring in OBC. To reduce contractual and financial risk, there is a system logic to offer services to those service users who have most resources to bring to the process of value co-creation. Thus, the fundamental principle of equality of access to public services becomes
systematically undermined. The extent to which this has occurred within the Work Programme has been well documented (Carter and Whitworth 2015; Public Accounts Committee 2014). The estimated number of employment outcomes for the ESA Work Programme group varies between 5% (Hale 2014) and 10% against an original target of 22% (Public Accounts Committee 2014). Hale (2014) provides a different perspective on this phenomena which highlights the importance of a ‘service system’ perspective. In any employment programme, employment outcomes are not only dependent upon a job-seeker’s capabilities and activities but also the social and economic context within which they seek work. Hale (2014, 5) argues that particularly for people on ESA, further demand side work needs to be developed in relation to the prevalence of employers taking on people with disabilities. The Work Programme mechanisms do not support a partnership approach, which may be needed when multiple services are required to support people such as problematic drug users into employment (Monaghan and Wincup 2013). If third-sector organizations are supporting people on the Work Programme in other ways than direct service provision, their roles may not be recognized or rewarded (Sanders, Teixeira, and Truder 2013).

**London Homelessness Social Impact Bond**

In 2012, a homelessness SIB was developed in London, with the aim of developing new ways of working to support rough sleepers to access additional support. Two homelessness charities are providing the programme services, with one charity sharing the financial risk of the PbR mechanism with investors, whilst another has transferred this to investors (DCLG 2014c). A specific cohort of service users has been identified (n = 831), who were not involved in other initiatives. This SIB is being evaluated through both qualitative and economic impact methods (DCLG 2014c, 2015). Initial findings (DCLG 2014c) have included some primary results on the experiences of service users within the programme with 25 service users being interviewed about their experiences, alongside other key stakeholders. A second interim report (DCLG 2015) builds on this with an additional 25 interviews with service users (14 re-contacted from the first evaluation alongside 11 new contacts) as well as other stakeholder interviews.

**Co-production at a strategic and design level**

DCLG policy leads initially suggested a number of outcomes on which to base the SIB, following pathways out of rough sleeping. The final payment system agreed contained a number of differential payments including reduced rough sleeping (25% payment), sustained stable accommodation (40% payment), sustained reconnection (due to the number of non-UK nationals within the cohort) (25% payment), employment/employability (5%) and better managed health (through a reduction in Accident and Emergency episodes) (5%) (DCLG 2014c, vii). Whilst providers and service users
were involved in the discussions about outcomes, the final model seems to have largely followed the initial DCLG-suggested outcomes. The incentivization of outcomes for providers is designed to follow progressive steps out of rough sleeping. The ‘Navigator’ intervention model, developed through literature reviews and discussions with key stakeholders, was used to provide a flexible, personalized and tailored approach to service provision (Young Foundation 2011). A ‘Navigator’ with a personalized budget would support a service user, as a single point of contact through the diversity of services that they may need (DCLG 2014c).

Co-production at a service level
The first interim evaluation found that the relational nature of a Navigator’s role was essential to the service users’ long-term support and the achievement of particular outcomes (DCLG 2014c). The co-production element of Navigators’ role included negotiating and supporting clients through different systems to attain particular resources such as legal documents, accessing addiction support and negotiating with a range of other agencies concerning housing, health, education and training. Service users highlighted the importance of this all coming through the one person with whom they developed close, non-judgemental and trusting relationships. This innovation was in contrast to the way services would usually be organized with a range of different providers and staff. This relationship between a service user and their ‘Navigator’ was crucial in providing a ‘full pathway of support’ (DCLG 2014c, 96) alongside personalized funding, enabling services to be accessed with the subsequent co-creation of value and outcomes. The second interim report confirms these findings where service users highlight the importance of the Navigator’s role in supporting the maintenance of a tenancy (DCLG 2015, 29–30). This personalized flexible model enabled a relational and trusting approach between service provider and user (DCLG 2015). However in contrast to this general emphasis on the building of trusting relationships, it was seen that the reconnection outcome for non-UK nationals within the cohort had the potential to reduce trust between provider and user, where one Navigator explained that such a financial incentive put their relationship with service users ‘on edge’. A Navigator explained ‘They ask me, “but you are going to get paid for that, you want me to go back, if you get rid of me you are going to get a payment”’ (DCLG 2015, 41).

Value co-creation through the development of outcomes
Two clients’ stories in the first interim report (DCLG 2014c, 81–90) highlight how resource integration occurred in the co-creation of value and outcomes. Simon’s story (ibid, 83) illustrates the importance of particular resources and skills that he had before becoming homeless, where his plumbing qualifications and work experience helped him regain a job. Janice (ibid, 85) had social support from friends and family in Southend,
and her Navigator supported her gaining accommodation in that area through financial support in the form of a deposit, alongside negotiating appropriate housing for her. These stories illustrate resource integration across a diverse system, where Navigators had to tap into different service providers such as health, education and housing, working with different partners to achieve outcomes. However, if the Navigator’s organization is the sole service provider who receives outcome payments, this may act as a disincentive to longer term collaboration where only one provider is paid for the achieved outcome. Partnership working in some cases was affected by reservations about SIBs and PbR as a structure for public service provision (DCLG 2014c, 92). This is further emphasized in the second interim report where some staff from other organizations saw the SIB clients as the ‘Navigators’ responsibility’ (DCLG 2015, 36). Other broader policy contexts also impacted on the extent to which particular outcomes could be achieved. For example, Navigators highlighted the problems that service users had had when benefit sanctions had been applied to them, putting tenancies at risk of failure (DCLG 2015). In addition to this, problems of insecure and zero-hour contracts could disincentivize people in their return to work (DCLG 2015).

**Discussion**

This analysis has illustrated the different processes of co-production within public services OBC. Focussing on co-production at a strategic and design level, the processes of defining and incentivizing outcomes illustrates how government-prioritized outcomes took precedence in outcome payment models. This follows Moore’s (1995) proposition that the government is the final arbiter of public value. Within the Work Programme political discourses of ‘work first’ (Newton et al. 2012), and the assumption that worklessness is a problem of benefit dependency (Hale 2014) have had a significant influence on the design of the programme through sanctions, which can be seen to have an adverse effect on service users’ experiences. The homelessness SIB based its approach on the DCLG’s policy-oriented outcomes (DCLG 2014c), alongside a greater emphasis on evidence-based approaches and consultation with providers and users (Young Foundation 2011). The SIB incentives were based around a more personalized approach with a budget being able to be used to support the development of particular outcomes. Analysing co-production at a service level illustrates that whilst the Work Programme was designed to enable service innovation, in practice contracting models did not meet the specific needs of service users (Hale 2014; Homeless Watch 2013; Sanders, Teixeira, and Truder 2013). In contrast, the homelessness SIB ‘Navigator’ model was identified by service users as key in developing a tailored and relationally based service which supported the subsequent development of particular outcomes. Here service users who
experienced multiple inequalities, were supported through personalization and resource support, a substantial difference to the Work programme where sanctions were applied. These contrasting service experiences illustrate how the inherent co-production of services at the interface contributes to the development of particular service outcomes. Finally the process of value co-creation within a service system perspective helps us to interrogate the implications of OBC for equality. Practices of creaming in the Work programme fit with the idea presented in this paper that service providers can appropriate service users’ activities towards outcomes and cream profit from these within OBC. In contrast, no perverse incentives were identified within the homelessness SIB (DCLG 2015). This had a specified service delivery model, an identified cohort and not-for-profit providers. The SIB providers continued to provide support for users where they foresaw that outcomes were difficult to achieve within specified time periods, the ‘ethos and history of the organization, and commitment and values of delivery staff’ (DCLG 2015, 30) being central to this. However, in the longer term, there may be adverse financial implications of this for the organizations (Sanders, Teixeira, and Truder 2013). Both examples illustrate how a wide range of different system factors contribute towards outcomes, highlighting how these outcomes may be socially and politically produced.

The limitations of this paper are that the analysis draws only on existing empirical data. Whilst this contributes to a comparative analysis, drawing evidence together over different OBC examples, the available evidence across different programmes varies considerably. Whilst a realist synthesis is designed to account for these differences in data, further empirical research is also necessary. In relation to a future research agenda, it is suggested that the following research questions need to be considered:

- Why and how are OBC models operationalized in practice and with what implications for service user experiences of services; how does this vary by sector, policy and national context?
- How public services are governed, managed and experienced under OBC models; what are the similarities and differences in this across different policy fields; and why?
- Where service users have co-designed OBC models, how do they work in practice and with what implications for service experiences and quality?

Through conducting an international comparative analysis of OBC across different public services, a wider knowledge base of this contracting type can be gained, filling the gap that the NAO (2015) have identified. Further in-depth ethnographic work on service users’ experiences of OBC in different public services will also contribute to knowledge of how OBC models are operationalized in practice and with what implications for the co-production of public services, using the theoretical framework outlined in this paper.
CONCLUSION

This paper has applied a public service–dominant logic to OBC within public services, putting service users’ experiences at the core of analysis. The realist synthesis provides important insights into how different forms of OBC create different conditions, service provision, experiences and outcomes that can impact equality of access, the extent to which services are innovative, personalized and tailored and the degree to which service users can be supported to achieve outcomes. The analysis conducted illustrates how co-production at the service interface can support the development of outcomes. In the Work Programme distrust and fear of sanctions could lead to service users feeling further away from employment outcomes. In contrast, homeless clients felt actively supported by homelessness SIB Navigators to achieve and sustain tenancy outcomes. The cases highlight the importance of analysing broader policy, political and structural dimensions that have an influence on public service provision and outcomes. The Work Programme can be seen to be based on political assumptions of a presumed ‘culture of dependency’ (Hale 2014, 5). In addition to political influence on types of interventions, it has also been illustrated how outcomes may be socially produced or prevented. A final insight from a service system perspective concerns the implications of OBC for collaborative working across organizations. Unless OBC can account for multiple causalities, there is a risk of some service providers being over-rewarded for activity, whilst others are under-rewarded.

More generally, this paper highlights the need for further comparative analysis of the implications of OBC across different services and models to understand the implications of such contracting systems. Further primary research is needed on the implications of OBC for service users’ experiences and the extent to which different models of OBC can encourage or inhibit different forms of co-production and the co-creation of value and outcomes. In addition to this, any analysis of public services OBC needs to understand and account for inequalities, issues of power and coercion and the role of politics and policy in the framing of public service provision and its outcomes.

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DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author.

NOTE
1 Other evaluations that include the perspectives and experiences of service users are currently in progress (e.g. Disley et al. 2014; Disley and Rubin 2014), but at the time of writing these were not available.

REFERENCES


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