Proactive Ageing® Pty Ltd

Delivering Quality Care More Efficiently: A Practical Approach to the Diffusion of Best Practice Care

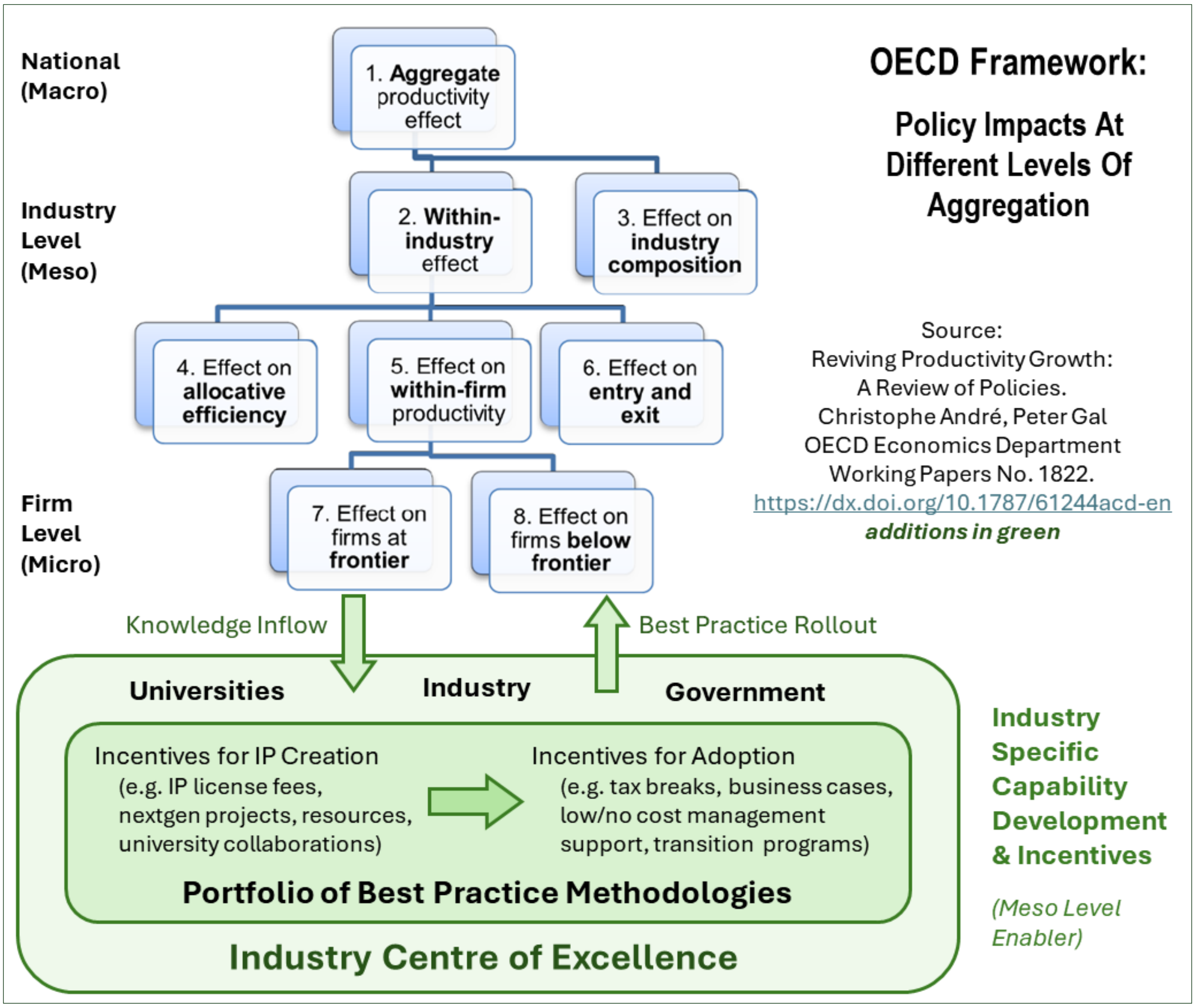
Submission to the Productivity Commission 14 August 2025

The emphasis of this submission in respect to the government's 5-pillar productivity agenda is on ***delivering quality care more efficiently***. As a priority reform it would provide ***greater sustainability to the budget*** and ***strengthen its structural position***, whilst delivering ***higher quality care services***. Secondary benefits include ***building a more skilled and adaptable workforce***, and improved ***harnessing of data and digital technology***.

Much of the productivity debate has been about what governments can do nationally to fix productivity, and macro-economic parameters, even though much of the challenge in Australian business is about poor quality management and a failure to adopt best practices. Diffusion, not invention, is the real engine of growth. There are much greater benefits to be gained by continuously nudging the majority forward toward 'best practices' in comparison to chasing down niche and high risk 'new-to-the-world innovation' by the few. It's a change of innovation mindset, from predominantly discovery to adoption. China implemented this approach in the late 1990's and early 2000's with remarkable success in substantially elevating it's national living standards. Australia could do the same while maintaining our democratic principles.

Diffusing Industry Best Practice

The OECD provides a framework for raising aggregate productivity that caters for the distinction between frontier firms (highly innovative / early adopters) and for those more conservative or pragmatic, offering several diffusion strategies. It proposes that *"Frontier knowledge created through innovation and embedded in the latest technologies and* ***business practices*** *should diffuse in the economy across firms to create broad-based productivity benefits .... Some countries, like Costa Rica, Portugal and Türkiye have also developed Technical Support Programmes to strengthen the absorptive capacities of domestic firms and especially SMEs".*[1]



Moving beyond 'Technical Support Programs', industry integrated 'Centres of Excellence' anchored in our universities could create libraries of managerial and operational best practice, as well as methodologies and transition supports for the adoption of these new business processes and their continuous improvement. The OECD framework advocates for *"Creating demand for innovation [adoption] through public procurement and standard setting are also part of the toolbox of governments … governments can also create a signalling effect as lead users [and/or funders] and thus influence the direction of innovation and technical change as well as their diffusion".* [2]

Greater access to economic inputs such as knowledge, technology, skills, capital, etc.. are all very important. But only the early adopter firms (around 2%) will take these up as innovation inputs and from them contextually construct a new way of operating. The other 98% have little interest in doing things disruptively built on their own initiatives and the risk that involves. The great majority will only take on substantive innovation if they see others already doing it successfully, and some form of agreed industry practice is evolving. This industry practice will almost always be a proven blend of the multiple innovation inputs mentioned above. The more pragmatic organisations need to see some market traction before they will consider the risk of adoption. The more conservative will need to see that most of their peers are already moving in this direction, and a well acknowledged new industry practice is in play. Both will benefit from some external support to make the transition, as diffusion is a *"social construct based on aligning with industry peers"*[3] not an executive decision to stand apart.

Industry Centres of Excellence, structured on the triple helix engagement model[4], could offer one practical diffusion mechanism. Bundling traditional economic inputs (i.e. knowledge, capital, skills, etc..) into a suite of Best Practice Methodologies will lower barriers to entry for new entrants. This would provide mainstream businesses with access to a suite of industry best practices and their continuous evolution. The result: enhanced management systems, greater operational capacity, new workforce structures, more advanced employee skills and for the care economy vastly improved sustainability. These independent Centres of Excellence could be established along similar lines to our Cooperative Research Centres, but without their emphasis on the bleeding-edge.

We expect that our universities will educate their students in best practice across all of their faculties – business (MBA's), legal, HR, technology, data analytics, etc. as well as in the vertical industry domains (e.g. healthcare). A partnership with industry to combine these multi-disciplinary foundations of knowledge into a 'Portfolio of Industry Best Practice Methodologies' would provide the ideal vehicle for the diffusion of 'turn key' innovations. This would be supported by several context sensitive rollout strategies, to minimise adoption friction for the 98% of businesses that are more risk avoidant (i.e. pragmatic or conservative) in nature.

The following Recommendations from the Productivity Commission's 5-year Productivity Inquiry Report (volume 5) 2023 : 'Innovation for the 98%' support this proposal. **Recommendation 5.3** *"Improving collaborative networks and knowledge transfer"*. **Recommendation 5.5** *"Using government-held data for benchmarking [performance comparison] purposes".* **Recommendation 5.11** *"A bigger role for diffusion bodies".* **Recommendation 5.13** *"No-cost or low-cost access to ideas that have large public good value. To support the diffusion of best practice and knowledge that has already been generated by innovative businesses".*

The Care Economy

The care economy is primed to be our most important industry sector in terms of productivity and quality remediation, given:

1) *"Of the six biggest structural pressures on the Budget, four are care related: Health, the NDIS, aged care, and early childhood education."* Jim Chalmers, National Press Club (June 2025).
2) Health Care and Social Assistance is by far the largest and fastest growing employment sector totalling 16% of all Australian jobs (Jobs and Skills Australia).
3) The ongoing series of crisis situations being repeated across much of the care economy.

Much of the Care Economy operates essentially as a cottage industry, and across the sector productivity and quality are very flat bell curves. Modernisation across business models, service delivery, and workforce skill structures are all desperately needed, well beyond just new technology adoption. As just one example of how significant the productivity and service quality opportunities are: In aged care, where labour is the service, 35% of staff are employed in administration and support roles, while for those in direct care positions less than 70% of their time is spent on face-to-face interactions[5].

With the care and support economy set to double before 2050[6], there's considerable scope for meaningful productivity gains, both in automating much of the back-office and in frontline sensor/data enabled assistive technology. More sophisticated management practices, operational methodologies and redesigned workflows underpinned by these technologies will drive major productivity improvements. This approach is 'Business as Usual' for many other industries. But why not the Care Economy?

Instead of reinventing the wheel, we should instead learn from and adapt these best practices from other more productive industries. The most effective productivity strategy is the diffusion of well-established best practices contextualised for this sector. An industry integrated Centre of Excellence anchored in a university would be an ideal mechanism to draw on cross-industry expertise and contextualise well-established business processes. In this way, implementing 'innovation for the 98%' offers a low risk, quick win approach.

A National Franchise Model

Clearly, there are many examples of the failure of privatisation, particularly in applying free market principles to social services. Several decades of government inquiries into the care economy have resulted in too many reports repeating the same storylines of systemic failures. There is however one idea, which may make the transition to a superior market framework just a little more palatable for policy makers. It offers a middle ground between the public and private spheres.

The care economy can be defined as a quasi-market[7], because government is an active participant as regulator, funder and the quality assurance entity. As such, some segments of it may be better suited to some form of government orchestrated national franchise than the current constrained free market arrangement. In this model, the federal government's quality assurance arm takes on an expanded role and acts as a franchisor. This would be particularly suitable for aged care and/or child care in the first instance, spreading to other care economy sectors in time.

This provides a business model where the government grants care service providers (franchisees) the right to operate under an established brand, operating system, and with pre-defined products & services, in exchange for client funding. Key characteristics include governance structures, a proven business model, well defined frontline and back-office procedural systems, quality reporting, strong brand recognition, and ongoing operational support – all of which resides under a strict franchisor methodology. This allows for private provision under much stricter and much needed quality controls than currently exist. The independent 'Centres of Excellence' described above could co-design and update these improved operating methodologies and assist in continuously rolling out best practice. Under competitive pressures, these new market entrants could progressively replace poorer quality providers over a relatively short period.

The Abundance Agenda

Andrew Leigh MP outlined the government's thinking on the 'Abundance' agenda in his address to the Chifley Research Centre (June 2025).[8] He posits *"that supply doesn't just happen – it has to be enabled. And it recognises that governments need to do more than set targets. They need to align incentives, remove blockages, and create the right systems for success … Systems that are capable of building at the scale a growing, ageing and evolving society demands. Systems that reward timely approvals, coordinated sequencing, and adaptive design – not defensive delay. Government [has] to deliver a system that recognises the pace required – not by skipping safeguards, but by sequencing them better. A system that integrates planning with delivery, consultation with construction, ambition with execution … These aren't areas to deregulate, but to redesign …*

... Australia's universities are among the most productive research institutions globally ... But for all our research output, we too often fall short when it comes to turning ideas into outcomes. Translating discoveries into new technologies, treatments, or policies is harder than it should be – not because the ideas aren't strong, but because the systems around them are slow, opaque and risk averse. ... But most successful innovation ecosystems rely on well-functioning public institutions – universities, hospitals, and public labs that know how to partner, how to share, and how to deliver. ... we have to build systems that make good work easier to do – and easier to share".

This proposal offers a practical application not only in support but more importantly to begin to implement this new 'Abundance' way of thinking.

If you have questions or require further clarification, please feel free to contact me.

Yours sincerely,

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[1] Reviving Productivity Growth: A Review of Policies. Christophe André, Peter Gal (2024)
OECD 2024 Economics Department Working Papers No. 1822. https://dx.doi.org/10.1787/61244acd-en
[2] Ibid.
[3] The Diffusion Research Institute https://diffusion-research.org/
[4] Triple Helix Engagement Model https://journals.sagepub.com/doi/abs/10.1177/095042229801200402
[5] National Aged Care Workforce Census and Survey (Commonwealth Department of Health - March 2017)
[6] Prime Minister Anthony Albanese's address to CEDA's 2023 State of the Nation
[7] 'Better Competition, Better Prices' Report on the inquiry into promoting economic dynamism, competition and business formation, House of Representatives Standing Committee on Economics, March 2024
[8] Andrew Leigh's 'Abundance Agenda' address to the Chifley Research Centre (June 2025)
https://ministers.treasury.gov.au/ministers/andrew-leigh-2025/speeches/address-chifley-research-centre-melbourne