

Public and private provision of welfare services

Åbo Akademi 23.10.2015

Pekka Kettunen

Introduction

- Public private much debated: what kind of dichotomy is it?
- Public and private provision of services: some general trends
- Some examples and questions

What it is?

- Public and private is a dichotomy
- Public and private can be related in many different ways
- C. Pollitt argues that when considering the efficiency and effectiveness we find no evidence that private would do better
- Not ownership, but the amount of competition or potential competition, quality of leadership, the specificity of tasks, the measurability of main outputs and outcomes, the level of understanding of its consumers/users etc.

... dichotomy

- Furthermore, we often mix together private, market organisations and organisations belonging to the third sector
- After all, collective problems can be solved in three basic mechanisms: social, market and political
- Border lines and grey areas: is the division of labor between the three fixed, not at all, but tensed

Pendulum

- Hellmut Wollmann (Humboldt, GE) argues that public vs. private follows waves
- After the II ww public, then NPM, Thatcher, private, and thereafter remunicipalisation.
- We all know about privatisation, but what about remunicipalisation
- Examples: water services in Grenoble, Paris, Stuttgart; waste management, German nuclear power decision in June 2011

Reasons

- 1) Retention of local government control
- 2) Lack of target congruence between public and private parties
- 3) Lack of control
- 4) Socio-political reasons
- 5) Excessive (transaction) costs
- 6) Not yet satisfactory provision of services by private parties

The dynamics of remunicipalisation

Which factors affect the choices of municipalities?

- Generally converging developments within European countries in and their administrative systems over the past 20 years
- As a result of this development in many European countries the public has not only shrunk numerically but has also become more differentiated and fragmented
- Notable differences exist in scope, intensity and type of of the implementation of measures (U.K., Sweden, Germany, Italy).
- Both exogenous and endogenous determining factors:
 - Exogenous: EU (coercive isomorphism) and normative pressure
 - Endogenous: Actors, administrative and public sector cultures

In welfare policies

- In health and social care, negative publicity may affect willingness of municipal decision-makers to benefit private providers
- Do the same factors as in the case of utilities
- Citizens fairly reluctant, see Fredriksson & Martikainen 2008: It does not matter if the service is provided by public or private actor, if the quality is good and it is possible to select (30% partly agree, 18% disagree)

Examples

- Health: the three-parti model: occupational health care, private and public health care
- Why does not work (THL 2013):
 - Coordination lacking
 - Maintains overlapping services, increases costs, unnecessary demand for services
 - The improvement of public health care is not supported by all citizens
 - Doctors not encouraged to make cost-effective diagnoses
- > but also benefits

Examples

- Social services: a large amount of actors, ranging from small, family enterprises to multi-national companies
- If the price and quality are satisfactory, what is the problem
- It is the task of the municipality to safeguard high quality through a contract or it is up to the enterprise to maintain high quality (reputation)

Conclusions

- All in all, the general debate simplifies the alternatives
- From the viewpoint of public services the choices are numerous, different forms of partnership
- What are the rules of the game? How to guarantee the basic values of the welfare state

References

Fredriksson.S. & Martikainen, T. (2008) Julkista vai yksityistä – kuntalaisten palveluita koskevat valinnat. Helsinki: KAKS.

Kuhlmann, S. & Wollmann, H. (2014) Introduction to Comparative Public Administration, Edward Elgar.

Pekurinen, M. et al. (2011) Sosiaali- ja terveydenhuollon monikanavaisen rahoituksen edut, haitat ja kehittämistarpeet. Helsinki: THL raportti 4/2011.

Pollitt, C. (2003) The Essential Public Manager. Maidenhead: OUP.