

Public and personal social services in European countries

from public/municipal to private

– and back to municipal and ‘third sector’ provision?

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## Abstract

The article discusses the provision of public services (public utilities) and personal social services in European countries. In pursuing a historical perspective four stages are discerned, to wit, the pre-welfare state late 19th century, the advanced welfare state climaxing in the 1970s, the neo-liberal policy phase since the early 1980s and the recent phase since the mid-2000's. It is argued that during each phase the prevalent organizational form of service provision (whether municipal/public, private or third sector) was shaped by the current dominant political beliefs and discourse, that is, by the 'social democratic' assumption of the operational preference of public/municipal sector provision until the 1970s and the neo-liberal trust in the operational superiority of market-liberalization and privatization. In the recent phase since the mid-2000s divergent trends are observed: On the one hand, the neo-liberal market and privatization drive has persisted while, on the other, in reaction to the downturn of the neo-liberal policy tenets and the socio-economic fallout of fiscal austerity policies a comeback of the public/municipal sector (remunicipalization) in public service provision and a (re-)emergence of third sector organizations and actors in the provision of personal social services and care has taken shape somewhat reminiscent of the pre-welfare state engagement of societal actors.

## Key words

public and social services provision

public sector dominance

marketization

remunicipalization

'third sector' involvement

### *Topic of the article*

The article aims at analyzing the delivery of public and personal social services in European countries whether by the municipal/public, private or third sector. In discerning four developmental phases (late 19<sup>th</sup> century pre-welfare state, advanced welfare state climaxing in the 1970s, neo-liberal policy phase since the early 1980s and a recent phase since the mid-2000s ) the question is

pursued as to whether, how why the institutional development has shown convergence or divergence over time among the countries and the service sectors under consideration.

### *1. Definitional and conceptual frame*

The article addresses the provision of public and personal social services. The former pertain to infrastructural services, often also labelled public utilities and called 'services of general economic interest' in the European Union's terminology, such as water supply, sewage, public transport and energy. The latter relate to the provision of personal care meant to meet individual needs, such as children care, elderly care, care for the disabled and the like.

In its country coverage the article is based on a selection of European countries which, on the North-South axis, include the U.K., Sweden and Germany, on the one side, and Italy and Greece, on the other. On the West-East axis, the ex-Communist transformation countries, such as Hungary and Poland, figure prominently. It is expected that this broad (North-South and West-East) coverage of European countries allows to utilize the analytical potential of the 'most different cases' methodology and logic in comparative research (see Preworsky and Teune 1970).

Our discussion addresses a broad range of organizations and actors involved in the provision of these services that encompasses the public, the private as well as the third sector. Within the public sector the distinction is made between the state and the municipal sector. The private sector is essentially composed of private (primarily commercial) organizations and companies. In drawing on the elaborate discussion by Salamon and Sokolowski of the still somewhat controversial definition of the 'third sector' (see Salamon and Sokolowski 2016) in the following the third sector is understood to comprise both the traditional

non-public non-profit (NGO-type) organizations as well as the wide scope of, as it were, 'informal' societal organizations and actors, such as cooperatives, self-help organizations and initiatives and social enterprises. This broad understanding should allow to adequately capture the varied institutional settings of service provision.

The historical approach which is key for this article should be apt to identify relevant features and patterns that have marked the institutional development of service provision 'over time'. For this purpose it is deemed heuristically and analytically useful to distinguish four phases (for the concept and distinction of phases see also Millward 2005): the (pre- welfare state) setting of the late 19th century; the advancing and advanced Welfare State climaxing in the early 1970s; the neo-liberal policy phase since the early 1980s and a recent phase since the mid-2000s. Since research and publications on this recent period are still relatively scarce it will be given particular attention in the following discussion.

Guided by the question whether, when and why convergent or divergent trends have characterized the provision of public and social services 'over time' and in European countries the article draws, as an explanatory frame, on variants of the (neo-) institutionalist debate (see Peters 1995, Kuhlmann and Wollmann 2014, 44 et seq. with references): the *actor-centred* variant emphasizes the influence of actors, actor coalitions, their will and skill, on national, subnational as well inter-/supra-national levels (e.g. the European Union); the *discursive* variant (see Schmidt 2008) highlights the salience of political, ideological etc. discourses and discourse coalitions (e.g. the neo-liberal and New Public Management-inspired discourse on public sector modernization), and the *historical variant* that accentuates the impact of institutional, political as well as cultural (possibly path-dependently

entrenched) traditions ('legacies') (see Pierson 2000). Moreover, political, socio-economic and financial circumstances (e.g. financial, economic, political etc. aftermath of the Wallstreet collapse in September 2008) as well as other dramatic global events (e.g. the nuclear disaster in Fukushima in March 2011) may be determining factors.

As to methods and sources, the article builds, besides the author's own work, on available research, particularly on work conducted by the members of an international working group that was formed between 2013 and 2015 within the European Union-funded COST Action 'Local Public Sector Reforms' (see Bouckaert and Kuhlmann 2016). Reports of their findings have been published in Wollmann, Kopric and Marcou eds. 2016 (for a summary see Wollmann 2016) and will be drawn and quoted in the following.

Finally, a caveat needs to be voiced. The conceptually and empirically complex format of the article may easily go beyond the capacity of a necessarily short article. It is assumed (and hoped), however, that the analytical insights and 'added value' gained from it might outweigh its shortcomings, not least its unavoidably shorthand 'broad brush' argumentation.

## *2. Analysis and discussion*

### *2.1. Late 19th century (pre-welfare state) development*

During the (late) 19th century, under the dominant ideological and political doctrine of 'Manchester Liberalism', national governments essentially refrained from interfering in local level socio-economic issues. At the same time, the provision of (still incipient) public utilities (such as water, sewage, energy) was largely left to the local authorities what contemporary conservatives somewhat mockingly called 'municipal socialism' (see Kühl 2001).

By contrast, (still embryonic) personal social services and care for the poor and needy were mainly rendered by (bourgeois) philanthropic organizations and (working class) self-help initiatives and cooperatives (see Henriksen et al. 2016, 23) - in an, as it were, pre-welfare state involvement of societal or third sector actors (see Salamon and Sokolowski 2016).

## *2.2. Service provision under the advanced Welfare State in West European countries (unto the 1970s)*

In West European countries, in the advancing and advanced (national) Welfare State which climaxed during the early 1970s the institutionalization of service provision was shaped by the dominant political (social democratic) belief and discourse that the public (State or municipal) sector and its personnel were best suited to carry out the services in the common interest.

### *Public utilities*

Exemplar was the post-1945 development in the U.K. where the incoming (socialist) Labour Party in 1946 pushed the nationalization of the energy sector and subsequently of the water sector by transferring municipally as well as privately owned facilities into State ownership and operation. By contrast, in post-1945 (West) Germany, under a ruling conservative federal government for which nationalization was a political and ideological taboo, the energy sector remained in the hands of private sector energy companies while the traditional municipal companies (*Stadtwerke*) kept playing an albeit minor role in local level energy provision.

The provision of water continued to be operated, as a rule, by the local authorities and their (water) companies. In France, however, in a practice

that path-dependently dated back to the 19th century, municipalities outsourced (*gestion déléguée*) water supply to (outside) private companies in what has been characterized as ‘French style privatization’ (see Citroni 2003, 208).

### *Personal social services*

In countries marked by a ‘social democratic welfare state regime’ (Esping-Andersen 1990) personal social services were typically rendered directly by the local authorities and their personnel while third sector non-profits and charities were largely sidelined. Again the U.K. is exemplar. After 1945, under the socialist Labour Government, the local authorities were put in charge of being the main providers of personal social services (see Bönker et al. 2010, 99) in turning local social administration into virtual ‘municipal empires’ (Norton 1994, 378). Another striking example was Sweden (see Montin 2016, Henriksen et al. 2016, 222). As a key feature of the (social democratic) Swedish Welfare State that evolved since the 1930s the provision of personal social services became a prime responsibility of the local authorities. At the same time, on the basis of ‘hidden contract’ (see Wijkström 2000, 163, Wollmann 2016, 315) that was concluded in the 1930s between the (social democratic) national government and the country’s Protestant Church, non-public non-profit (third sector) organizations were practically excluded from rendering personal social services

By contrast, in countries with a ‘conservative welfare state regime’ (Esping-Andersen 1990 ) third sector-type non-profit organizations played a leading role in personal social service provision. Germany was a case in point.

According to the subsidiarity principle (*Subsidiaritätsprinzip*) which was agreed upon in a compromise , in the 1870s, between the (Prussian) State and the

Catholic Church personal social services were to be provided primarily by non-public, preferably third sector type non-profit organizations (see Bönker et al. 2010, 103). This privileged position of the non-profit 'welfare' organizations (*Wohlfahrtsverbände*) was confirmed by federal legislation in 1961. However, the close cooperative ties which have developed between the local level non-profit (welfare) organizations and the local authorities have resulted in the former assuming a quasi-public/municipal function and stance. Similarly in Italy, personal social services were largely provided by (third sector) non-profit organizations and charities often closely affiliated with the Catholic Church. Besides, in Italy's variant of the 'conservative welfare state regime' the provision of personal social services has, by tradition, strongly relied on the families and peers themselves (see Bönker et al. 2010, 104).

### 2.3. Service provision in Central Eastern European (CEE) countries after 1945

In CEE countries, after the Communist take-over in 1945, the centralist Socialist ('late-Stalinist') State model was imposed in which the state sector had the monopoly in carrying out public utilities (energy, water etc.) and of personal social services were carried out by it by the central State administration proper or through centrally controlled local units. As in the communist system any autonomy of the societal sphere was ruled out third sector non-public organizations that existed in the countries' pre-communist were abolished and suppressed. Poland was an exception as non-public organizations affiliated with the still influential Catholic Church could be engaged in social services even under the communist rule (see Mikula and Walaszek, 2016, 181). Moreover, in Yugoslavia, under Tito's modified type of

socialism which deviated from the 'late-Stalinist' centralist state model, a decentral 'self-management system' was put in place in which the local level 'communes' "were responsible for almost all public services ... with a high level of citizen and worker participation" (Kopric et al.2016, 203).

#### *2.4. Service provision under the impact of neo-liberal market liberalization and New Public Management since the early1980's*

In (West) European countries, since the early 1980s, the advent and the advances of neo-liberal policy beliefs and New Public Management (NPM) principles have impinged, in a convergent trend, upon the institutional and actor setting in service delivery particularly on two scores.

First, the previous ('social democratic') preponderance of the public (state or municipal) sector in service delivery was challenged and dismantled by asset privatization and outsourcing (contracting out) to external (preferably private sector) providers.

Second, the previous quasi-monolithic internal organization of public (State or municipal) administration was to be made operationally more flexible and cost-efficient by hiving off (corporatizing) organizational units which, while remaining in public/municipal ownership, were given organizational (and often financial as well as legal) autonomy (see Grossi and Reichard 2016).

The organizational shifts prompted by neo-liberal policy postulates and NPM concepts received their initial thrust in the UK since 1979 under the incoming Conservative government led by Margaret Thatcher and spread thence to other European countries. Since the mid-1980s, the resolve of European Union to get its neo-liberal market liberalization drive implemented throughout EU member countries added further dynamics to this development.

### *Public utilities*

In the U.K., following 1979, the Conservative government went furthest in carrying out a neo-liberal policy agenda by the wholesale asset privatization of the energy and water sectors thus radically undoing the post-war socialist Labour government's nationalization. In France and Italy, in complying with the EU's market liberalization directives, transformed the State owned energy giants EDF respectively ENEL into private law listed stock companies as preparatory steps towards privatization. While in the case of Italy's ENEL the majority of the shares were sold to external, primarily private sector investors, 80 percent of France's EdF remained in State ownership (for details see Wollmann et al. 2010; Alleman et al. 2016).

When in Germany where the energy sector was traditionally owned and operated largely by private sector energy companies, federal legislation was adopted in 1998 that aimed, in compliance with the pertinent EU directive, to market liberalize the energy sector, it the downright paradoxical effect of further consolidating the already existing quasi oligopolistic market position of the Big Four energy giants (E.on, RWE, EnBW and Sweden's state-owned Vattenfall). At the same time, it intensified the competitive pressure on the relatively few still existing municipal energy companies (*Stadtwerke*) which increasingly felt compelled to sell out to the Big Four somewhat foreboding their 'demise' (*Stadtwerkesterben*) (see Wollmann et al. 2010, 177).

While water supply continued to be operated mostly by the municipalities and their municipal companies the local water markets were increasingly entered by private water companies, particularly by the international service giants (such as the French Big Three Veolia, SUEZ and SAUR); by acquiring (minority) shares in municipal companies they often formed 'mixed' (municipal/private) companies (see Citroni 2010; Lieberherr et al. 2016, for Germany see Bönker

et al. 2016, 76; for Italy see Citroni et al. 2016: 107-108). In France the century-old (path-dependent) practice of the municipalities to outsource (*gestion déléguée*) water provision to private companies (paraphrased as 'French style privatization') proved to be the launching pad for Big Three to become national and international champions (see Citroni 2010; Lieberherr et al. 2016).

At the same time, the organizational structure of the delivery of public utilities (and of other public functions) was reshaped by corporatization, that is, by creating (hiving off) organizations and companies which, while remaining in public/municipal ownership (so called Municipally Owned Enterprises, MOE's), are given organizational, operational (and often financial) autonomy and a legal status, mostly as private law limited or stock companies (see Grossi and Reichard 2016, 307). Their legal status made it easier for private sector investors to become (as a rule minority) shareholders in mixed (public/private) companies. Thus, the local core administration gets surrounded by a multitude of corporatized units which was figuratively labelled their 'satellitization' (see Huron/Spindler 1998, Kuhlmann/Fedeles 2010, 55). As the activities and goals of these corporatized and hived-off companies and organizations are typically determined by their specific interests and single purpose orientation they are prone to unfold a centrifugal dynamics that challenges local government in its political mandate to bring to bear the common interest of the local community and to correspondingly steer and coordinate local level functions and activities.

### *Personal social services*

Since the 1980s, the provision of personal social services, too, has been profoundly reshaped by the neo-liberal marketization drive.

Again the U.K. is a prime example. The quasi-monopoly that the local authorities wielded in social service provision as a key element of the post-war 'social democratic welfare regime' was radically abolished after 1980 under the neo-liberal Thatcher government which opened the service market to all (preferably private-commercial) providers, noticeably in home (residential) elder care (see Bönker et al. 2010, 198). Sweden embarked upon a somewhat two-pronged course. On the one hand, still in line with the country's traditional 'social democratic welfare regime', the personal social services continued to be provided largely by municipal units and companies. On the other, in responding to neo-liberal marketization and competition maxims, quasi-market mechanisms, such as the purchaser provider split, were introduced to local level service provision. Moreover the municipal organizations adopted a 'hybrid' profile in that they adopted a business-like entrepreneurial orientation in coping cope with the new competitive environment while, at the same, remaining embedded in and responsive to the local political context (see Montin 2016, 98).

Germany experienced a conspicuous institutional shift and rupture as the time-honoured path-dependently entrenched privilege of the third sector welfare organizations was eradicated by the neo-liberal policy-inspired legislation of 1994 which opened the service market to all providers and ushered in a rapid expansion of private (commercial) providers (see Bönker et al. 2010, 111; Bönker et al. 2016, 77 table 6.1.).

## *2.5. The provision of public and social services in Central Eastern European (CEE) countries in the wake of post-communist ‘transformation’*

In the CEE countries, after 1990, following the collapse of the Communist regimes the institution and actor setting of public and social service provision was ruptured and restructured in an unprecedented scale on two scores. For one, it was a key element of the dismantling of the centralist Socialist State. The secular transformation of the entire politico-administrative system was shaped by adopting (and, against the backdrop of the countries’ pre-communist institutional history, partly also by linking up with) the classical European model of constitutional government which essentially included extended responsibilities of the local level in public and social services provision. Second, the institutional revamping of service provision was driven by the neo-liberal market liberalization maxims and New Public Management (NPM) concepts which ran rampant internationally since the 1980s and increasingly impacted the institutional development in CEE countries as the latter strove and prepared themselves for the accession to the EU (see Bauby and Similie 2014, 99).

### *Public utilities*

In dismantling and decentralizing the centralist Socialist State the hitherto State-owned public utilities were often, in a first move, by transferred (communalized) to the local authorities. In the further course of institutional change the CEE pursued varied steps and measures similar to their West European counterparts. In most countries the municipalities established (corporatized) municipally owned companies (MOE’s), in CEE countries called ‘budgetary organizations’. Privatization has occurred particularly in the electricity sector as the formerly state owned companies were acquired via

partial or wholesale privatization by private investors, primarily by international big players, such as the French EDF, the German RWE and E.ON and the Swedish Vattenfall (see Horvath 2016, 188, Mukula and Walaszek 2016, 175, Nemec and Soukopova 2016, 157 on Hungary, Poland and on the Czech Republic respectively). Although water provision remained mostly in municipal ownership and operation foreign water companies, too, became shareholders in local water companies as well (for instance the French Suez and Veolia, see Nemec and Soukopova 2016, 158 on the Czech Republic). Besides corporatization and privatization the municipalities resorted to initiate intermunicipal companies and intermunicipal cooperation to deliver public utilities, particularly in the water sector (see Bauby and Similie, 2014, 109 ). Such intermunicipal formations became particularly frequent in countries where, due to the absence of local level territorial reforms, the small-size municipalities prevail (see Szente 2012, 293 on Hungary).

### *Personal social services*

In the provision of personal social services the previous monopoly of the Socialist State has been dismantled and replaced along different traces. In some countries third sector organizations and ‘societal’ actors that had been banned under the communist rule have re-emerged. In Poland, “many new social associations have sprung up whose aim was to complement (or even replace) the role of state institutions in addressing social problems” (Mikula and Walaszek 2016, 171). Similarly in Hungary, for instance homes for the elder have increasingly been provided by non-public organizations (see Horvath 2016, p. 195). By contrast, in the Czech and Slovak Republic the operation of personal social services, such as residential elder care are “still entirely in the public hands” (Nemec and Soukopova 2016, 162 ).

## *2.6. Since the mid-2000 diverse trajectories in the institutionalization of service provision*

Since the mid 2000's the institutional and actor setting of service provision has developed on trajectories that diverge between countries and sectors and are influenced by different factors.

*Continuing privatizing and outsourcing of service provision.*

### *Public services*

On the one hand, propelled by the EU's persisting market liberalization drive outsourcing and privatization has continued in further strengthening the market position and share of private sector providers. This holds true particularly for CEE countries in which further outsourcing and privatization of public service provision can be seen also as measures to cope with the in part still 'unfinished business' of their secular transformation (see the chapters on CEE countries in Wollmann, Kopric and Marcou 2016). It also applies to South European countries which, under budgetary (sovereign debt) pressure and prodded by the EU and the IMF, have initiated asset privatization in order to procure additional financial resources (see Tsekos and Triantafyllopoulou 2016 and Magre Ferran and Pano Puey 2016 on Greece and Spain respectively).

### *Comeback of the public/municipal sector in service provision?*

On the other hand, the public/municipal sector has seen a comeback in service provision for several reasons.

On a global scale the neo-liberal belief in the superiority of the market forces and of the private sector over the public sector has been profoundly shattered

by the bankruptcy of the Lehman Brothers in September 2008 and its world-wide financial and economic aftermath and politico-psychological shockwave which has sparked off a widespread reappraisal of the state and of the public sector in its role and merits of rectifying and remedying market and private sector failures.

While, well unto the 1990s, it was all but taken for granted in the political and academic discourse that the privatization of service provision would entail 'better quality at lower costs' this assumption has been seriously called into question both by practical experience and in academic research. Recent internationally comparative studies plausibly suggest that with regard to provision of public utilities public enterprises are on a par with, if not superior to private sector providers (for a broad overview see Mühlenkamp 2013, 18). The balance sheet turns out even more favourable for public/municipal provision if the transaction costs of outsourcing of services (costs of monitoring, contract management etc.) are taken into account, leave lone positive 'welfare effects' (social, ecological etc. benefits) of public/municipal provision (see Florio2004,341; Mühlenkamp 2012, 42; 2013,18; Wollmann 2014, 59). Moreover, local authorities have (re-) discovered the financial gains that can reap for their own coffers by operating public utilities themselves instead of outsourcing them to outside (private) providers.

The positive reassessment of the role and merits of public/municipal sector provision is also mirrored in and supported by the politico-cultural 'value change' that is evidenced by representative surveys as well as national and local referendums in which the privatization of public/municipal assets and services was rejected often by broad majorities (see Kuhlmann and Wollmann 2014, 199).

Furthermore, the role of the local authorities in local level service provision has been emphasized and strengthened by national governments and the EU. This is exemplified by environmental protection and renewable energy policies and measures as both national government and the EU have, particularly in the wake of the nuclear disaster of Fukushima in March 2011, called upon the local authorities to take on increased responsibilities in this matter. Moreover, in a protocol to the Treaty of Lisbon of December 2009 the EU has explicitly recognized and accorded to the local authorities a 'wide discretion' in 'providing, commissioning and organizing services of general economic interest as closely as possible to the needs of the users'; hence the EU's binding force of EU directives has been noticeably softened (see Bauby and Similie 2014, 102).

The comeback of the public/municipal sector has unfolded along two tracks. Municipal companies have been established anew or have expanded, also by merging and by forming intermunicipal companies. Moreover, municipalities have proceeded to remunicipalize facilities and services by re-purchasing shares previously sold to private companies or by re-insourcing previously outsourced (contracted out) services after the expiration of the respective concession contracts.

Germany is exemplar particularly in the energy sector. After, during the 1980's, the municipal companies (*Stadtwerke*) had lost ground to the Big Four private sector energy giants they have, in the meantime, regained strength and market share in operating local energy grids and supplying as well as generating (renewable) energy themselves (see Kuhlmann and Wollmann 2014, 202, Wollmann et al. 2010, 177 ; Bönker et al. 2016, 91). Similarly in Italy the municipal energy companies have significantly enlarged their market share (see Wollmann et al. 2010: 182; Kuhlmann and Wollmann 2014, 201). In France, while the still largely state-owned energy giant continues to dominate the

country's electricity market, municipal energy companies have recently made moderate advances particularly in renewable energy generation (see Alleman et al. 2016, 238). In the U.K. the conservative-liberal coalition government formed in 2010 explicitly urged the local authorities to engage themselves in local renewable energy activities (see Kuhlmann and Wollmann 2014, 204).

Similarly remunicipalization has progressed in the water sector in countries where during the 1980s private water companies, particularly the international big players, such as the French Veolia and Suez, expanded in local water markets. In the meantime, municipalities have proceeded to re-purchase or to re-insource water provision (see Kuhlmann and Wollmann 2014, 204, Lieberherr et al. 2016, Hall 2012). (For other service sectors, such as waste management, see Hall 2012, Kuhlmann and Wollmann 2014, 206, Bönker et al. 2016, 80).

However, in order to realistically and cautiously assessing the potential of further remunicipalization some hurdles should be called to mind. So, when considering to remunicipalize once the concession expired the municipalities typically face difficult negotiations (about compensations etc.) with the outgoing private provider. Moreover, they often lack skilled personnel to take the operation back in their own hands. Tellingly, for instance in Germany only in a small percentage of expired concessions the municipalities have chosen to remunicipalize the service provision, while in most cases deciding to renew the expired contracts (see Grossi and Reichard 2016, 303).

### *(Re-) Emergence of the third sector?*

In drawing, as mentioned in the introduction, on the recent elaborate discussion by Salamon and Sokolowski on the somewhat controversial definition of the 'third sector' (see Salamon and Sokolowski 2016) in this article term 'third sector' is used in an understanding which comprises (NGO- type) non-public non-profit organizations (such as the traditional non-public non-

profit organizations in Germany and Sweden) as well as the broad array of ‘societal’ actors (such as cooperatives, self-help organizations, social enterprises and the like). In the following analysis the latter group of societal actors will be in the foreground.

### *Public utilities*

In the provision of public utilities recently energy cooperatives have made remarkable advances. Founded typically by local citizens they join the cooperative movement which, historically dating back to the 19<sup>th</sup> century, is made up of a multitude of (economically often quite powerful) organizations that primarily focus on agricultural, housing, banking and consumer matters (for an overview and data see Cooperatives Europe 2015).

In Germany, since the late 1990s, the founding of energy cooperatives has been prompted by the growing environmental (‘green’) engagement of citizens and has been incentivised by the Federal Renewable Energy Act of 2000 that guarantees fixed feed-in tariffs for anyone generating renewable power for a 20-year period (see Bönker et al. 2016, 80; DGRV 2016). The, as of now, some 1.000 energy cooperatives (out of a total of some 7.500 cooperatives) typically operate solar parks and wind turbines, have some 200.000 members and generate electricity for some 160.000 households (see Borchert 2015, Cooperatives Europe 2016). It is worth recalling that energy cooperatives sprang up in Germany first in the late 19<sup>th</sup> century when rural dwellers founded cooperatives typically in self-help initiatives as the private sector electricity companies refused to connect such remote areas. Since then, however, ‘energy cooperatives’ have disappeared until their recent revival.

In a similar vein, in France, since 2005 some 10 energy cooperatives have been established (see <http://www.enercoop.fr/les-cooperatives>) as well as

in the U.K. (see Co-operatives UK 2016). In 2011 a EU Network of Energy Cooperatives has been founded with 20 members from 12 EU countries.

While the emergence of energy cooperatives is, no doubt, a remarkable example of a ‘societal’ initiative which, in view of the growing importance of local level renewable energy generation and supply is likely to have further growth potential. However such forecast needs to be cautioned since until now the overall quantitative contribution of cooperatives to the overall energy generation is quite scanty. In Germany, for instance, where so far, in international comparison, the largest number of energy cooperatives has been founded the electricity generated by them amounts to just 0.5 percent (!) of the country’s total electricity production. Moreover, it should be borne in mind that the existence of energy cooperatives until now depends markedly on tax benefits and the guarantee of feed-in tariffs.

### *Social services, care for the needy*

Third sector organizations and actors have (re-)appeared also in the provision of personal social services and care for the needy. This development has emerged on two tracks..

For one, in the wake of the world-wide financial crisis that followed the Lehman Brothers collapse in September 2008 European governments have resorted to fiscal austerity and retrenchment policies. These included policy initiatives designed to relieve the public sector of its direct financial and operational responsibility for the provision of social services and to ‘top-down’

activate and ‘tap’ the financial and operational potential of third sector organizations and actors.

The top-down track is exemplified by the policy initiative inaugurated by the EU in 2011 that was targeted at the creation of social enterprises. These typically hinge on a ‘hybrid’ concept of combining an entrepreneurial orientation with a ‘common good’ commitment (see EU 2014 with references to detailed country reports on all EU countries). In Greece, for instance, in responding to, and benefiting from this EU program, social enterprises have recently been founded “in a wide spectrum of services mostly in the social sector (childcare and care for the elderly)” (Tsekos and Triantafyllopoulou 2016, 145).

Another example of a top-down policy initiative was the so-called Big Society program which was promulgated in the U.K. in 2010 by the coalition government under David Cameron. It aimed, with unmistakable neo-liberal policy handwriting, at cutting public spending on personal social services by calling upon and committing societal actors (social enterprises, cooperatives and the like) to involve themselves in the provision of personal social services and care (see Heywood 2011; Buser 2013). However, in the meantime the Big Society initiative appears to have lost its initial appeal and momentum (see Civil Exchange 2015).

Second, societal organizations and actors have bottom-up come to life in reaction to the neo-liberal policy-inspired financial cutbacks in personal social services and to the socio-economic needs engendered by these policies of shifting the financial and operational burden back to the needy and their families and peers.

The cooperatives that focus on providing personal social services and care can historically be traced back to the self-help organizations of the 19<sup>th</sup> century.

Italy is the prime example of this long and continuous development. While in Italy the total number of cooperatives currently amounts to some 40.000 with a broad scope of agricultural, housing etc. cooperatives, as of now about 1.400 social cooperatives (*cooperative sociali*) exist half of which are engaged in children, elderly and disabled care (see Thomas 2004, 250, Bauer and Markmann 2016, 288).

In Germany, about 330 social cooperatives (*Sozialgenossenschaften*) have emerged compared to a total of some 7.500 cooperatives. Most of them have been founded since the early 2000's, half of them as self-help cooperatives and one third 'solidary' cooperatives, that is, with an altruistic orientation (see Stappel 2017, Alscher 2011). In the UK cooperatives "have spun out of a wide scope of local government services including adult social care..., children's services... and social care" (UK Government, 2013 quoted from Bauer and Markmann 2016, 288).

Moreover, in reaction to fiscal austerity measures and to the ensuing cutback of social services provision 'societal' self-help initiatives have come to life which aim at providing services and care for themselves as well as for others (see Warner and Clifton 2013). For instance in Greece voluntary groups have sprung up, at first in big cities, such as the 'Atenistas' in Athens, and subsequently "all over the country" (Tsekos and Trantafyllopoulou 2016, 144).

Notwithstanding the remarkable (re-)emergence of societal (third sector) initiatives, organizations and actors their further course and expansion should be assessed with caution. A major crux lies in their precarious financial potential. Although they have proved to be able to mobilize additional financial resources (donation money, membership fees, also user charges), personnel resources (volunteers) as well as entrepreneurial and organizational

skills (particularly in the case of social enterprises) their durable and long-term engagement and growth depend crucially on the availability of sufficient public funding. The salience of this financial aspect has been highlighted in a recent major international study on the third sector (see Enjolras et al. 2016, 9). At the same time, it is this very financial dependence and the ensuing need to compete for such (if available) public funding that compels the third sector organizations in the current New Public Management-shaped administrative environment to accept and adopt “contract based management procedures... where the terms of delivery are strictly defined by public agencies (including) the permanent bureaucratic stress to report to their funders” (Enjolras et al. 2016, 9); this, however, may run counter to core beliefs and mores of such societal actors that (ideally) hinge on autonomy, trust, intrinsic motivation and ‘informal’ relations. Besides, small societal actors are liable to encounter difficulties, because of their small size and unfamiliarity with the formalized and ‘bureaucratic’ tendering procedures linked with public funding, when it comes to successfully compete with the larger and operationally more skilled and adapted private sector, but also traditional non-profit organizations (see Henriksen et al. 2016, 230).

### *3. Concluding remarks*

Finally, the guiding question shall be resumed as to whether and why the institutionalization of the provision of public and personal social services, whether public/municipal, private or third sector, has shown convergence or divergence in the phases, countries and service sectors under consideration. The necessarily brief and broad-brush summary singles out major trends in an

explanatory frame which draws on variants of neo-institutionalism and on pertinent (socio-economic and financial) circumstances and events.

The proposed distinction of four developmental phases (that is, the pre-welfare state of the late 19<sup>th</sup> century, the advanced welfare state climaxing in the 1970s, the neo-liberal policy phase since the early 1980s and a recent phase since the mid-2000's) proves to be analytically meaningful and fruitful as each of the phases is characterized by a distinct prevalent institutional pattern and profile in service provision.

In the late 19<sup>th</sup> century ('pre-welfare state') period, under the dominant ('Manchester Liberal') doctrine of government abstention, the (incipient) public services were carried out by the local authorities, while the (embryonic) personal services were rendered by societal actors.

In West European (WE) countries marked by a 'social democratic welfare state regime' (Esping-Anderson 1990) the institutional development of service provision was, in a largely convergent trend, guided (as argued by actor-centred and discursive institutionalism) by the political will and belief that public and social services were rendered best by the public/municipal sector proper, while service provision by third sector (non –profit) service organizations was sidelined. After 1945, under the socialist Labour government the U.K. epitomised the public sector--centred delivery of public and social services. Diverging from this public sector-centred pattern in countries with a 'conservative welfare state regime' (Esping-Anderson 1990), premised on the traditional 'subsidiarity principle' (e.g. in Germany), personal social services were primarily provided by third sector non-profit organizations (such path-dependent institutional persistence is highlighted by historical institutionalism). In the CEE countries, following 1945, after the Communist takeover, the

centralist (Socialist) state sector held the monopoly in the delivery of public and social services.

In WE countries since the late 1970s, under the impact of neo-liberal market liberalization policy and New Public Management (NPM) principles the ('social-democratic) preponderance of the public/municipal sector was abolished, in a largely convergent trend, by corporatizing, outsourcing and privatizing service provision. After 1979, under the neo-liberal Conservative Government led by Margaret Thatcher the U.K. became the exemplary case of furthest pushing the neo-liberal policy agenda and discourse both nationally and internationally (as captured by actor-centred and discourse institutionalism). Since the mid-1980s, in pursuing its market liberalization policy throughout its member countries, the EU increased the political and discursive dynamics in 'Europeanizing' it. The 'victory march' of neo- market-liberalization drive was manifested (in Germany) by the abolishment of the historical privilege of the third sector non-profit organizations. In CEE countries following 1990, after the secular transformation of centralist 'Socialist' State along with the countries' accession to the EU, the institutions of public and social service provision, propelled by the EU's market liberalization, were radically restructured by corporatizing, outsourcing and privatizing the delivery of services.

The recent phase since the mid-2000 has shown different and divergent trends. On the one hand, outsourcing and privatization of service provision has continued under the persistent impulse of EU-led market liberalization. On the other, the municipal sector has regained ground in the provision of public services (remunicipalization). At the same time, third sector (societal) organizations and actors (cooperatives, social enterprises, self-help initiatives and the like) have (re-) emerged in providing personal services and care in what, in a historical perspective, is reminiscent of the 19<sup>th</sup> century pre-welfare

state engagement of societal actors. These varied trends have plausibly been shaped by different socio-economic, political, financial and psychological factors and events. So, the comeback of the municipal sector in the delivery of public services has been fostered , among others, by the reappraisal of the merits public/municipal sector, while the (re-) emergence of societal actors in providing personal social services has been elicited, inter alia, by the personal and social needs caused by neo-liberal fiscal austerity measures. It seems characteristic of the recent phase that these and other ('immediate') causal factors can, ultimately, be traced back to 'global' events (such as the financial crash of September 2008 and the nuclear disaster in Fukushima of March 2011).

### *Pendulum swinging back?*

In view of the comeback of the municipal sector in the delivery of public services and the (re-)emergence of the third sector/societal organizations and actors in the provision of personal social services and care for the needy the question arises whether, in a historical perspective, the 'pendulum has swung back'.

The pendulum image stems from Polanyi's seminal work on the Great Transformation (see Polanyi 1944) in which long-term swings from state regulation to the markets and reverse were addressed (see Stewart 2010). Adopted by Millward (see Millward 2005) the pendulum image has subsequently been used in the international comparative debate on service provision as well (see Wollmann/Marcou 2010, Hall 2012, Wollmann 2014, 2016, 331).

While the pendulum metaphor certainly provides a useful heuristic lens apt to analytically identify developmental stages and shifts, two inherent limits and

‘traps’ should be borne in mind cautioning against rash conclusions. For one, the contextual conditions and specificities must be carefully noted and taken into account that exist between the stage and situation in question and the respective historical starting conditions and points of reference. Second, the image should not lead to straightforwardly assume a kind of determinism or cyclism in the movement of a pendulum swinging back and forth (see also Bönker et al. 2016, 81).

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