

Hellmut Wollmann

Comparative study of public and social services provision:

Definitions, concepts and methodology

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From public and municipal to private provision,

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1 Introduction

This brief introduction sets out the definitions, concepts and methodology underpinning the chapters assembled in this volume.

1.1 Selection of countries

The chapters of this book deal with some twenty countries representing a wide range of European (EU) member states (plus Switzerland and Iceland); they cover the west-east axis, including both western European (WE) countries and central eastern European (CEE) countries, and the north-south axis, from the Nordic to the Mediterranean countries. Besides being broadly representative, this spread of countries should be conducive to cross-country and cross-policy comparisons.

2 Selection of sectors of service provision

The chapters assembled in this volume discuss institutional developments in the provision of public services and personal social services.

The term *public services* is used to refer to water supply, sewage treatment, waste management, public transport and energy provision (for the French administration's legally derived notion of *service public* see Marcoum, Public service provision in France, *in this volume*). In English and in the British context these services are usually referred to as *public utilities*, in France they are *services publics industriels et commerciaux*, in Italy *servizi pubblici* or *servizi di pubblica utilità* and in Germany *Daseinsvorsorge* ('provision of the necessities of existence'). The EU introduced the term *services of general economic interest* (SGEI) to refer to this service sector (see European Commission 2011; see also Bauby and Similie 2014; Marcou, 'The Impact of EU Law', *in this volume*).

In contrast *personal social services* and *health services* relate to individual social or health needs and in EU terminology are referred to as *social services of general interest* (SSGI), a category which encompasses 'health care, childcare, care for the elderly, assistance to disabled persons or social housing' (see European Commission 2011: 2).

These two broad service sectors are usually treated separately in the literature, but the country chapters of this volume make a point of considering both sectors to facilitate a much more comprehensive analysis and thus yield new empirical and theoretical insights.

3 Institutional approach

Within political science distinctions are drawn between *polity*, *politics* and *policy*. The term *policy* refers to the content and results of political decision-making, *politics* to the processes and conflicts surrounding political decision-making and *polity* to the *institutional/organisational* structure and context in which policies are decided and implemented.

The chapters of this book take an *institutionalist* perspective in order to focus on the *polity*, that is on service provision at the *institutional level*, first of all on the *subnational/local level*.

3.1 Variance in the institutions involved in public and social services provision

A kind of taxonomy (and “glossary”) of the institutions involved in service provision is given here to encourage the use of common terminology throughout the book. Whilst this attempt to construct a *lingua franca* may entail some loss in the substantive and cognitive differentiation and subtlety inherent in country-specific terms it should improve readability and facilitate comparisons between countries.

- *Public sector* – used as a generic term – comprises the state, subnational and, in particular, municipal sectors. Where public and social services are delivered directly by public sector (particularly municipal sector) administrative units and personnel one can also refer to *in-house* delivery or provision of services.
- The sometimes monolithic public sector may be disaggregated and decentralised at the organisational level by (horizontally) *hiving off* administrative units. Drawing on the *principal agent theory* and vocabulary this process may also be termed *agentification* or *agencification* (see Van Thiel 2012; Torsteinsen and van Genutsen 2016).¹
- The model of service provision which organisationally distances and disaggregates service provision from core administrative functions of the responsible public sector body whilst ensuring that this body remains legally responsible and that services are under the aegis of an elected council and/or chief executive is called *régie* or *régie directe* (in France), *municipalizzate* (in Italy), *Eigenbetriebe* (in Germany) or *direct labour organisation* (in the UK) (see Marcou, ‘The Impact of EU Law’, in *this volume*; Grossi et al. 2010, especially Table 10.1). In the terminology of principal agent theory one might refer to *internal agentification* (see Torsteinsen and van Genutsen 2016).

- The term *corporatisation* (see Grossi and Reichard *in this volume*) has come to be widely used (also in most chapters of *this volume*) to describe horizontal organisational decentralisation which is directed at the creation of legally independent (private law- or public law-based) organisations or enterprises with managerial autonomy. When corporatisation is based on private law the corporatised units are usually organised as limited companies or stock companies; public law-based corporatisation (*Eigengesellschaften* in Germany) makes it easier for private investors to acquire minority or majority shares in the corporation and thus form *mixed (public-private) companies* and can be used to promote *asset privatisation* (see below). The term *municipally-owned enterprises (MOEs)* has also gained widespread currency as well². In the terminology of principal agent theory corporatisation may be also referred to as *external agentification*³.
- Municipalities (and/or other public authorities) may establish *inter-municipal/inter-organisational, companies* (sometimes legally independent) for the purpose of collaborative service provision.
- *Mixed companies* combine public (municipal) and private ownership⁴. A variant of the *mixed company* which has recently gained prominence is the *organisational public-private partnership (PPP)* which is made up of public/municipal and private shareholders and can be distinguished from *contractual PPPs* in which the organisation remains in public (municipal) ownership and the involvement of the private investors is based on often complicated contractual arrangements. In a *contractual PPP* a municipality solicits private finance for an infrastructure project and in many cases private sector companies will also build the facilities and operate the relevant services (see Grossi and Reichard *in this volume*).
- The *not-for-profit* or *third sector* is essentially made up of non-public, usually non-profit-making organisations (sometimes referred to as *non-governmental organisations, NGOs*) that have salaried staff although they depend mainly on voluntary, unpaid labour. Some of these organisations receive significant public funding and thus in practice function as *quasi-public* organisations.
- Overlapping with the formally organised third sector there is an '*informal*' sector (see Munday 2000: 268) made up of *societal* and civil groups such as charities, self-help groups, family and neighbourhood networks which do not usually have a formal institutional structure and whose workers are normally unpaid.

- *Outsourcing (contracting out)* of public functions or services is a term used to denote the transfer of responsibility for delivery of public and social services from a public/municipal authority to an outside provider (which may be public, semi-public, private or non-public and non-profit-making). Outsourcing is usually based on a competitive procedure based on the awarding of a (usually time-limited) concession contract. In France outsourcing (*gestion déléguée*, which includes recent variants) has traditionally been a core strategy for municipal service provision (see Marcou, Public service provision in France, *in this volume*). Outsourcing may also be referred to as *functional privatisation* (see Kuhlmann and Wollmann 2014: 189), but to avoid terminological confusion it seems best to eschew the term *privatisation* in this context, restricting its use to *material privatisation* (see below).
- *Material or asset privatisation* occurs when public (state or municipal) assets are sold to private sector investors. Privatisation can be partial or complete; partial privatisation may result in the formation of *mixed companies* or *organisational PPPs*.
- *Municipalisation* is the transfer of state- or privately owned service provision assets or operations to the municipalities/local authorities; *remunicipalisation* is the transfer of assets (usually privately owned) and operations back to municipalities or companies controlled by them.
- Similarly, transfer from municipal (or private) ownership to the state is termed *nationalisation*⁵ or, in reverse, *re-nationalisation*.⁶

3.2 Operational rationalities governing service provision

A distinction can be made between *economic* and *political* rationality for decisions about service provision.

- The economic rationality is typically one of economic efficiency and is couched in terms of maximisation of economic benefits/profit and minimisation of economic costs (possibly by ‘externalising’ social, ecological and other non-economic costs). Private sector decision making is usually governed by an economic rationality of the actors who are primarily led by profit-seeking and ‘private-regarding’ goals and whose spatial area is the (possibly transnational) market.
- In contrast a *political* rationality ideally or typically refers to a wide range of political, social and ecological goals and effects (‘welfare effects’, Mühlenkamp 2013: 3).

Elected, publicly accountable decision-makers in national parliaments or local councils usually use a political rationality to justify their decisions; these bodies should ideally be ‘public-regarding’ and geared to the ‘common good’ and ‘best interests’ of, say, the local community and thus motivated to prioritise more general ‘public interest’ concerns over strictly economic ones.

- Under certain conditions an *amalgam* of political and economic rationalities (see Wollmann 2014: 68) may be used to usher in an organisation with a hybrid profile which combines public- and private-regarding perspectives (see Montin *in this volume*).

4 Developmental approach

The chapters of this book take a developmental or chronological approach to the analysis of institutional changes in service provision. In accordance with other literature on institutional change (see Millward 2005; Röber 2009; Wollmann and Marcou 2010; Wollmann 2014) the contributors to this volume recognise four distinct historical phases of institutional development:

- Development in the (late) 19th century;
- In western European (WE) countries: advancing and advanced welfare state climaxing in the 1970s, and in central and eastern European (CEE) countries the centralist Socialist State (unto the post 1990 transformation),
- New public management (NPM) and market-driven ‘liberalisation’ or reorganisation of services in both in WE and CEE countries;
- Recent (post-NPM) development (since the mid/late 1990s).

There has been little comparative research on recent institutional developments so the chapters assembled in this book pay particular attention to this phase in an attempt to address this gap in the literature.

5 Comparative approach

The analytical approach pursued in this book focuses on comparisons at three levels:

- Cross-country comparisons;
- Cross-policy and cross-sector comparisons;

- Chronological comparisons.

5.1 Cross-country comparison

Taken together the chapters in this volume cover a diverse range of European countries and span the west-east and north-south axes; they thus represent a sample which appears suited to the ‘most different cases’ methodology proposed by Preworski and Teune (1970) for comparative research. With an eye on west-east comparisons a methodologically pertinent difference may lie in the *starting conditions* during the 1970s respectively 1980s (of the advanced welfare state in the WE countries versus the centralist socialist state in the CEE countries) is relevant. Moreover, since the mid-1990s a methodologically relevant difference may show in the effects of the sovereign debt crisis in the Mediterranean countries versus the relatively solid financial and socio-economic situation in the ‘Nordic’ countries. Hence, this volume focuses on WE/CEE and Nordic/Mediterranean comparisons in preference to the comparison categories previously favoured in political science (e.g. Page and Goldsmith 1987; Hesse and Sharpe 1990; for an overview see Heinelt and Hlepas 2006) as such categorisations do not any more adequately capture the current socio-economic and financial configuration of European countries.

5.2 Policy-specific cross-country comparison

Three chapters are devoted to cross-country comparisons with respect to policy in specific sectors, namely energy, water and hospital health care, which loom large on the public sector reform agenda in European countries. The analytical dividend from these policy-specific cross-country comparisons should be increased by the emphasis on these sectors in the country-specific chapters.

5.3 Longitudinal comparisons

Conceptually and methodologically longitudinal comparisons rely on a ‘before and after’ logic, first ascertaining the *starting conditions* (e.g. advanced welfare state or centralist socialist state) and then identifying subsequent institutional changes (such as NPM-driven or ‘post-NPM’ restructuring) and the factors influencing such changes.

6 Explanatory framework

The *neo-institutionalist* debate (see Peters 2001; Kuhlmann and Wollmann 2014) provides the conceptual framework for the accounts of institutional development offered by contributors to this volume.

6.1 Historical institutionalism

The concept of historical institutionalism is based on the assumption that the preferences and choices of actors are influenced by enduring institutional structures. It emphasises the *structural* impact of institutional, political and cultural traditions on *institution building* and *institutional choice* (see Pierson 2000); this impact may extend to the creation of *path dependencies*. Historical institutionalism also draws attention to ‘critical junctures’ (see Kuhlmann and Wollmann 2014: 48 with references) in institutional development, i.e. points at which external impulses and events occur that may cause a change in institutional trajectory (which may, in turn, generate a new *path dependency*).

6.2 Actor-centred institutionalism

The *actor-centred* (or rational choice) variant of institutionalism (see Scharpf 1997) emphasises the influence which the decisions and interests, the political *will* and *skill* of the relevant political and economic actors can exert over the course of institutional development. Key decision makers and decision-making processes can be identified at all intergovernmental levels. By promoting European integration, and particularly by pushing for market liberalisation in EU member states, the EU has exercised growing actor-centred influence on service provision by setting EU norms and through the rulings of the European Court of Justice (see Bauby and Similie *in this volume*). At national level actor-centred (political, legal and so on) decisions and actions can have a decisive impact on hitherto path-dependent institutional trajectories. Of such political actor-driven changes and ruptures the neoliberal ‘Thatcherist’ policy shift in the UK after 1979 is exemplar.

6.3 Discursive institutionalism

Discursive institutionalism emphasises the ideas (political, ideological and so on) and discourses which - by framing and amplifying political and ideological beliefs and concepts (see Schmidt 2008) - set the context in which decisions in the international (EU), national and

subnational arenas are shaped and legitimised. In a similar vein normative *isomorphism* emphasises the explanatory potential of ideas, discourses and concepts (see DiMaggio and Powell 1991). Such discourses are typically the product of *advocacy coalitions* (Sabatier 1993) made up of academics, consultants and policy-makers and often linked to influential international organisations (such as the World Bank and Organisation for Economic Cooperation and Development, OECD). The triumph of NPM in national and international discourse and policy arenas in the 1980s, which lasted until the mid-late 1990s, exemplifies the ascent and descent typically experienced by discourses.

7 Methods

The contributions to this volume are based on primary research carried out by their authors and on *secondary* analysis of empirical data from other sources.

The primary research is particularly valuable as it pertains to the most recent developments (since the mid/late 1990s) on which little research is currently available. In many cases the authors have carried out original empirical work and thus their contributions are valuable sources of *primary* findings and insights.

Secondary analysis, particularly of data on non-Anglophone countries, is also important. To date this body of evidence – mostly published in the relevant native language – has been largely neglected by the predominantly Anglophone international research community. It may not be the least important contribution of this volume that most chapters deal with non-Anglophone countries and it thus makes accessible to the Anglophone international research community and academic audience research findings and insights which would otherwise remain in national knowledge silos rather than being integrated into a transnational corpus of knowledge.

8 Guiding questions

The common question addressed by the chapters assembled in this volume is the nature of the pattern (convergence; divergence; variance) of developmental changes in provision of public and social services at institutional level across countries and/or time (for the convergence vs. divergence debate see Kuhlmann and Wollmann 2014).

From a chronological perspective one important issue is whether there has been a pendulum-like pattern of development. The pendulum metaphor dates back to Polanyi's seminal work on

the ‘Great Transformation’ (Polanyi 1944) which hypothesised the long term swings from state regulation to the market and reverse (see Stewart 2010). The pendulum metaphor was revived by Millward (2005) and has been used in some and international comparative research on stage models of development of service provision, particularly with regard to so-called *remunicipalisation* (see Röber 2009; Wollmann and Marcou 2010; Hall 2012; Wollmann 2014; for a cautious revisiting of the remunicipalisation thesis which relates it to the pendulum metaphor see Bönker et al. *in this volume*).

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¹ The concept of *agencification* and the related classification set out by Van Thiel 2012 has been elaborated collectively within the previous COST Action (*Comparative Research into Current Trends in Public Sector Organizations*, CRIPO) which focused on public sector reorganization at national government level. It has been applied to local level service provision (Torsteinsen and van Genugtsen 2016).

² In a research community or discourse focused on developments at national government level the term *state-owned enterprises* (SOEs) is used (see for example the discussion in the *EURAM Public and Non-Profit Management Strategy Interest Group*).

³ *Corporatization* effected on the basis of private law is sometimes also referred to as *formal* or *organizational privatization*, but to avoid terminological confusion and conceptual misunderstandings it seems advisable restrict use of the term *privatization* to *material/asset privatization*.

⁴ For recent variations in the organizational form of the French *société d'économie mixte locale*, *SEML* see Marcou, 'Public service provision in France', *in this volume*.

⁵ Or *etatization*.

⁶ It has been suggested that the somewhat unwieldy term *re-publicisation* should be used to describe the process of returning assets to private ownership be it State or municipal/local authorities, see Bauer and Markmann *in this volume*.