

The provision of public and personal social services in European countries:  
Between marketization and the return of the public/municipal and third sector

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## *Abstract*

*This chapter discusses the institutions (organizations and actors) involved in the delivery of public and personal social services. A historical and developmental approach is followed in which four phases are distinguished (Millward 2005, Wollmann 2014). The late 19th century ('pre welfare state') phase; in Western European (WE) countries, the advanced welfare state peaking in the 1970s. In Central Eastern European (CEE) countries, the centralised Socialist State that continued until the early 1990s; and this is contrasted with the New public management (NPM)-inspired and market-driven 'liberalisation' of the 1980s onward. The most recent phase has developed since the mid 1990s. The guiding question of the 'developmental' analysis is whether institutional convergence or divergence has prevailed during the respective phases.*

*Key words: phases of public service delivery; convergence and divergence of institutions ; variations in European countries .*

## **Introduction**

The chapter discusses the provision of public and personal social services. The former are infrastructural services, often also labelled public utilities and called 'services of general economic interest' in generally accepted terminology (see European Commission 2011), such as water supply, sewage, public transport and energy. Personal services describe the services and care provided to meet individual needs, such as child care, elderly care, care for the disabled, education and similar services .

The range of organizations and actors involved in the provision of these services includes the public, the private and the third sector. Within the public sector a distinction is made between the central state, regional or provincial bodies and

local governments which also includes public/municipal companies. The private sector is essentially composed of private (primarily commercial) organizations and companies. There is no settled definition of the third sector (Salamon and Sokolowski, 2016) but it can be argued to include established non-profit (NGO-type) organizations and a wide range of informal societal organizations and actors, such as cooperatives, self-help organizations and initiatives and social enterprises. This broad and differentiated understanding of public, private and ‘third sector’ actors will allow us to capture the varied institutions and actors involved in the provision of public and social services.

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 in this analysis .

This chapter builds on 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 -Wollmann 2016) and will be used and quoted below. Besides, the following article draws on Wollmann 2014, 2016 and 2018.

### *Developments up to the 1980s*

It will be helpful to set the recent phase of development in the context of an overview of the institutional development in the period from the pre-welfare state period of late 19<sup>th</sup> upto the ‘neo-liberal’ 1980s.

In the mid to late 19th century period, under the dominant ('Manchester Liberal') doctrine of minimal government, emerging public services were carried out by various forms of local government, while the developing personal services were rendered by societal, voluntary and charitable organisations

The developed welfare state reached a high point in the 1970s, and in key European countries was marked by a 'social democratic welfare state regime' (Esping-Anderson 1990). At that time, the institutional development of service provision was in some countries guided by the political assumption that public and social services were best provided by the public/municipal sector, while service provision by not for profit organisations found their role diminished. After 1945, under the Labour government the U.K. epitomised the public sector-centred delivery of public and social services, with the nationalisation of the energy and the water sectors as well as the introduction of the national health service. There were different approaches from this public sector-centred pattern in countries with a 'conservative welfare state regime' (Esping-Anderson 1990). Based on the traditional 'subsidiarity principle' (for example in the then West Germany), personal social services were primarily provided by third sector non-profit organizations.

In the majority of CEE countries after the Communist take-over post 1945, the *centralist Socialist ('late-Stalinist') State model*, public and personal social services were carried out by the central State administration proper or through centrally controlled local units.

Since the late 1970s, under the impact of *neo-liberal market liberalization policy and New Public Management (NPM) principles* the preponderance of public/municipal provision was in many countries reduced or even dismantled by corporatizing, outsourcing and privatising service provision. After 1979, under the neo-liberal Conservative Government led by Margaret Thatcher, the

U.K. became the leading example of promoting the neo-liberal policy agenda both nationally and internationally. From the mid-1980s, the EU increased the impact of its 'Europeanizing' market liberalisation policy throughout its member countries. The extent of this drive was manifested in Germany by the abolition of the historical ('path-dependent') privilege of the third sector non-profit organizations. In CEE countries, after 1990, with widespread and turbulent transformation of centralist states and propelled by successive waves of accession to the EU and its market liberalization regime, the institutions of public and social service provision developed in a similar fashion.

#### *Development in service provision since the early 21<sup>st</sup> Century.*

Since the early 2000's the development of the institutions and actors involved in service provision has followed trajectories that have varied from country to country. There has been a divergence and bifurcation between the continuing thrust of market liberalization and privatization with the advances of private sector provision, on the one hand, and a 'comeback' of the municipal sector (re-municipalization) and the strengthening and (re-)emergence of the third sector, on the other.

#### *Continuing market liberalization and privatization in service delivery*

The market liberalization of service provision which has been triggered since the 1980s has continued and even gained further momentum since the 2000s with further corporatization, outsourcing and privatization of service provision.

The persistent drive of the EU for market liberalization materialized in the EU regulation of public procurement, in particular on the tendering of concession contracts for the outsourcing of service provision. In a first move the European Commission, in late 2012, proposed a draft Directive on concession contracts pertaining to all types of "services of general economic interest", including water services (see Marcou 2016:18). The draft directive was criticized

particularly by local authorities (with the German ones being especially vociferous) for virtually nullifying the “wide discretion” that the EU, in the Lisbon Treaty of December 2009, accorded to the local authorities in their autonomy to decide how to organize local service provision (see below). In the water sector the draft Directive was suspected by the local authorities as “opening the door to privatization with negative consequences for the population” (Deutsche Städtetag, 2013). After prolonged controversial discussions the directives were modified so that the general market liberalization thrust was in part mitigated. The provision by municipal organizations and companies which operate entirely under the control of the local authorities (in the so called “in house” variant) are exempt from the (EU wide) tendering process. Moreover, in a separate directive (2014/25 EU, see Marcou 2016: 23) water provision was explicitly excluded from the application of the general rules on concession contracts. However, notwithstanding these procedural variations the EU procurement directives and their transposition into national legislation have become significant drivers of further market liberalization.

The “Europeanization” of market liberalization has received further international and global impulses from the recent international negotiations on TIPP (Transatlantic Trade and Investment Partnership) and TISA (Trade in Services Agreement). Particularly from the point of view of local governments and their associations, such international agreements have been critically assessed as a potential menace of their local ‘discretion’ and as giving access to powerful international private sector providers (Deutsche Städtetag, 2014).

Against this backdrop, since the mid-late 1990s the trend towards corporatizing service provision, particularly in the form of Municipally Owned Enterprises (MOEs), has gained further momentum in the NPM-inspired search for greater operational flexibility and economic efficiency. In countries with a fragmented network of - usually small - municipalities the formation of *inter-municipal*

*companies* has progressed. At the same time the number of mixed (public-private or municipal-private) companies (with an increasing share of private sector, including international, companies) and the number of organisational and contractual public-private partnerships (PPPs) have multiplied (see Grossi and Reichard 2016).

Within this general trend towards *corporatisation*, however, some significant variance due to country- and service-specific factors can be observed.

In Sweden, public services:

‘such as municipal housing, water and sewage services, energy distribution, public transport have to large extent been transformed into municipal companies...with a new push for corporatisation since 2007’ (Montin 2016)

Such MOEs tend to have a *hybrid* perspective. Because they are exposed to competition from private sector companies they tend to be guided by an entrepreneurial, profit-seeking economic rationality; however, being embedded in the political context of local government, they are also influenced by a political rationality insofar as they also have non-economic goals, and take account of social and ecological concerns and so on (see Montin 2016; Wollmann 2014)

In Germany, too, the trend towards such MOEs has extended to almost all sectors (see Bönker et al. 2016; Grossi and Reichard 2016). The centrifugal dynamics of MOEs have posed a serious challenge to the steering capabilities of local authorities, which the latter have tried to meet by establishing specific administrative *steering units*.

In Italy, NPM-inspired national legislation in the early 1990s was designed to reduce the number of MOEs (*municipalizzate*) engaged in the water and waste services – at that time about 5000 - by establishing a nationwide network of

districts of ‘optimal territorial size’ (*ambito territoriale ottimale*, ATO) each comprising several municipalities and stipulating that only one provider should be commissioned (through an open tender process) to provide a given service in each ATO district. The aim of the legislation was to open the service market up to private competition, including international competition. However, in 2011 the legislation on ATOs was repealed, leaving it to the regions to define their own systems with the result that, as has been noted pointedly, the ‘situation is now more chaotic and uncontrolled than ever’ (Citroni et al. 2016).

Greece embarked on a different strategy for regulating the corporatisation of service provision. Beginning in the early 1980s, under the socialist Pasok government, there has been a mushrooming in the number of MOEs. They were created as a political instrument for expanding local responsibility for service provision via a process labelled ‘corporatised municipal socialism’ or even ‘clientelist corporatisation’ (see Tsekos and Trantafyllopoulou 2016). National legislation passed in 2002, stipulating that thenceforth only *companies of public benefit* could be established, was intended to slow down the rampant growth in MOEs.

After 1990, in CEE countries, public and social services which had been in the hands of the social state were largely transferred to the local authorities (municipalised) and subsequently often hived off or corporatized as what the CEE countries refer to as *budgetary institutions*. As in WE countries, this paved the way for the involvement of private, including international, companies.

Similarly, outsourcing of services continued to be widely, even increasingly, employed well into the late 1990s and beyond. This is particularly true in the case of CEE countries where the transfer of public functions to outside providers can, in part, be regarded as deferred stage of the still ‘unfinished’ transformation of the previous ‘Socialist’ State (for examples in Poland see Mikula and Walaszek 2016).



In West European countries asset privatisation of services has recently been extended as well, both through private investors taking stakes (usually minority stakes) in MOEs and through organisational PPPs. For instance, in Germany and Austria private investors hold shares in some 40 per cent of MOEs (see Grossi and Reichard 2016). An additional push towards privatization has been triggered by the budgetary ('sovereign debt') crisis which particularly affected South European countries (Tsekos and Triantafyllopoulou 2016 and Magre Ferran and Pano Puey 2016 on Greece and Spain respectively).

Moreover, in CEE countries marketization and privatization has been additionally propelled by their wish and need to 'catch up' with the in part still 'unfinished business' of their secular post-communist transformation.

Hence, to sum up, the institutional development of service provision has been marked since the mid 2000's, under the persistent impact of EU-driven 'Europeanization', by a continuing trend, with variance between countries and sectors, towards further corporatization, outsourcing and privatization.

### *The return of the public/municipal sector in service provision*

In contrast, and in a divergent trend, a 'comeback' of the public/municipal sector as a provider of public services has developed for a number of reasons.

Less enthusiasm for neo-liberal beliefs

Since the late 1990s it has become more and more evident that the (high flying) neo-liberal promises that (material or functional) privatization would entail better quality of services at lower prices has not materialized. This political and conceptual disillusionment has been globally prompted by the financial crisis of

2008 which significantly contributed to reassessing and recalibrating the role of the State and of the public sector to rectify private sector and market failures.

The pros and cons of private vs. public sector provision

Well into the 1990s, it was all but taken for granted in the political and academic discourse that the privatization of service provision would lead to 'better quality at lower costs' this assumption has been seriously called into question both through practical experience and in academic research. Recent internationally comparative studies plausibly suggest that the provision of public utilities by public enterprises is on a par with, if not superior to private sector providers (for a broad overview of pertinent research findings see Mühlenkamp 2013 : 18. "Research does not support the conclusion that privately owned firms are more efficient than otherwise-comparable state-owned firms"). The balance sheet turns out even more favourable for public/municipal provision if the transaction costs of outsourcing of services (costs of tendering, monitoring, contract management etc.) are taken into account, leave alone positive 'welfare effects' (social, ecological etc. benefits) of public/municipal provision.

Changing values in political culture and popular perception

This reappraisal of the merits of public sector-based service provision is also reflected in and supported by a growing popular perception and sentiment which tends to value service provision by the public/municipal sector higher than that by the private sector. This trend is evidenced by a growing number of local referendums in which the privatization of public services and facilities was rejected or their remunicipalization was demanded (Kuhlmann/Wollmann 2014: 199 ss.). On the national level a striking example was the national referendum held in Italy on June 8, 2011 in which the privatization of water provision was

overwhelmingly rejected (see Kuhlmann and Wollmann 2014: 205). The international, if not global dimension and perspective of this development shows in the emergence and actions of social and political movements of which *Attac*<sup>1</sup> is exemplary.

The enhanced role of local governments in the intergovernmental setting

The readiness and motivation of local authorities to engage themselves and their municipal companies in the provision of public utilities has recently been fostered by remarkable changes in their intergovernmental setting.

For one, in the EU context the status of the local government level has recently been strengthened, for example in the Treaty of Lisbon of December 2009 “local government” has been explicitly recognized - for the first time ever in EU constitutional law.

“The Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government” (Treaty of Lisbon, Art 3, S 2).

In a protocol to the Treaty of Lisbon (which has the same legal status as the Treaty itself) it has been stipulated that regarding “services of general interest” the EU explicitly recognizes:

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<sup>1</sup> <http://www.attac.org/node/3727>

“..the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organizing services of general economic interest as closely as possible to the needs of the users”

...

“the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations”.

The binding force of EU norm-setting has been significantly mitigated in favour of country by country choices (see Bauby and Similie 2014, 102). However, as afore-mentioned, this stands in noticeable contrast with subsequent moves of the European Commission to promote the regulation of procurement of service provision and to constrain the discretion of local authorities (see Marcou 2016: 19).

Furthermore, in certain policy fields, the local government level has been recognised as an important actor both by the EU and by the national governments. This applies prominently to environmental protection and energy saving. So, at their summit held in March 2007 the European heads of State agreed on an Energy Policy for Europe in which local governments have been recognized as crucial actors.

Renewed self-confidence and action orientation of local government

So various local authorities in different countries have ‘rediscovered’ the provision of public utilities under their own responsibility and in their own operation as a strategy and way to generate revenues of their own instead of leaving them to the ‘profit making’ of private sector providers. Moreover, they seek and use this an opportunity to regain political control over the quality and

price-setting of service provision and to pursue social, ecological etc. objectives welfare effects, for instance by way of cross-subsidizing structurally and inherently loss making service sectors such as public transport. In doing so, they act upon and play out a ‘political rationality’ which in principle is guided by the common good of the local community.

A grid-specific window of opportunity

As in the field of grid-based services, such as energy and water, concession contracts are usually awarded on a time-limited basis and hence expire after the set time span This opens a “window of opportunity” for municipalities to renegotiate the concessions contracts and to possibly remunicipalize the services.

The comeback of the public/municipal sector has emerged essentially along two tracks. Either municipal companies have been established from new or have expanded; there have also been developments in merging and forming intermunicipal companies. In some cases municipalities have proceeded to remunicipalize facilities and services by re-purchasing shares previously sold to private companies or by insourcing previously outsourced services after the end of the respective concession contracts.

Some good examples of such can be seen in energy and water provision .

Energy

In the *U.K.*, since the (asset) privatization of the energy sector in 1989, the country’s energy market has been dominated by private energy companies, while the local authorities were left with an all but marginal role, for instance, in

the operation of district heating services. However in a recent conspicuous policy turn, in 2010, the then Conservative-Liberal Democrat coalition government explicitly encouraged local authorities to resume a responsibility in the energy sector particularly by engaging in the generation and utilisation of energy saving and renewable energy generation technologies. The national goal has been set to supply 15 percent of the country's energy consumption from renewable energy by 2020. Enabling legislation has followed suit. In the meantime a considerable number of local authorities have initiated local projects, particularly pertaining to power and heat coupling (in conjunction with district heating) and in solar energy. Sheffield, Leeds and Bradford are leading the UK in renewable energy installations. However, the local level initiatives appear to have since slackened. "The climate change work has narrowed, is very weak or absent in 65 percent of local authorities" (Scott 2011).

In *France*, the electricity market continues to be dominated by EdF which is still in 80 percent State ownership. It generates 75 percent of the country's energy production from its 24 nuclear power stations and is encouraged by government policy to be a "champion" on the national as well as international energy markets. Some 230 municipal energy companies which were exempted in 1946 from nationalisation continue to provide energy services to not more than 5 percent of the households. Their generation of electricity is, to a considerable degree, based on renewable (particularly hydro) sources. So far, notwithstanding their potential in renewable energy, the role of the municipal companies has apparently remained limited also because they continue to be legally restrained to only serve their respective local market (see Allemand 2007: 40, Allemand et al. 2016).

While ENEL (which is in 30 percent State ownership) and other institutional and individual (largely private sector) currently play a major role in Italy's energy market, the municipal energy companies (*municipalizzate*) which, in 1962, were

exempted from the nationalisation continue to hold a fairly strong position in the energy sector (see Prontera/Citroni 2007). This applies particularly to big cities. In 2008 the municipal companies of Milano (1.2 million inhabitants) and Brescia (190.000 inhabitants) merged to form a consortium-type stock company called A2A which is listed on the stock market and generates 3.9 percent of the country's electricity, while a multitude of other small municipal companies generates another 10 percent (see AEEG 2011: 51). As Italy has politically and legally committed herself to do without nuclear power, the municipal energy companies whose power generation traditionally has a strong alternative and renewable (hydro) energy component (see AEEG 2001: 52) appear poised for an expanding role in the country's energy sector (see Prontera 2013)

In Germany into the late 1990s, the Big Four private sector energy companies (E.ON, RWE, EnBW, Vattenfall) did significantly better in the energy market, than municipal companies (*Stadtwerke*) (Wollmann/Baldersheim et al. 2010,). As the *Stadtwerke* have traditionally focused on energy-saving technologies (such as heat and power coupling, HPC), they have become crucial local actors in the eyes of the federal government. This is important in the policy change, in reaction to the nuclear disaster in Fukushima, to terminate the country's nuclear power generation by 2022. At the same time, the European Commission, in recognising the competitive potential that the local energy companies have in the local and regional energy markets, proceeded to strengthen their competitive "muscle" by exerting pressure on the "Big Four" to sell local grids and give up previously acquired minority shares in *Stadtwerke*. Hence, many municipalities have turned to re-purchase local grids and shares of the *Stadtwerke*. The dynamics of this development is evidenced also by a growing number of newly founded *Stadtwerke*

Water provision

Although, in England and Wales, the privatized water services have come to be severely criticized for high tariffs and high operating profits ( Hall and Lobina 2001), a serious discussion about returning water services back to public (State or local) operation has so far not developed .

In France , the privatisation of water services, through the traditional route of “outsourcing” (*gestion déléguée*), to private companies, particularly the “Big Three”, has further progressed, a process of remunicipalizing water services has gained momentum since the late 1990s. First of all steep price and tariff increases have increasingly discredited the privatization of water provision. Where left-wing council majorities and mayors gained power, they have sought to undo the privatisation effected by their right-wing predecessors and to make use of the expiration of concession contracts in order to remunicipalize water services (Lieberherr et al. 2016).

In Italy, the large-scale privatisation of Italy’s water sector at which the Ronchi Decree of 2009 targeted was conspicuously stopped by the national referendum held on June 11, 2011 in which the Ronchi Decree was rejected by an 96% of those who voted . The political mobilisation against water privatisation was largely carried by the (left leaning) *Forum Italiano dei Movimenti per l’Acqua* which was founded in 2006 and was composed of some 150 municipalities and political organisations.

In Germany, well into the early 2000s, private water companies, including major players such as Veolia, Suez, RWE and E.on made significant advances in the municipally dominated water sector. However, recently a counter-trend has set in, as municipalities make use of upcoming expiry of concession contracts to renegotiate the contracts and to regain control over the local water services. This development has been prompted not least by demands of the local citizens, as expressed in a growing number of binding local referendums. Thus, in the City of Stuttgart where, in 2003, water provision was completely sold to a large



German provider (EnBW), the city council, in responding to a local referendum, decided in June 2010 to repurchase water facilities at the conclusion of the contract . (Kuhlmann/Wollmann 2014: 199 ss).

### **Remunicipalization in the wider country and sector perspective**

Variations the in rate and intensity processes of remunicipalization can also be observed in other service sectors, such as waste management, public transport, as well as in other countries (see Hall 2012, Dreyfus et al. 2010). An intriguing example of the dynamics of a local “multi-utilities” operation is offered by the German city of Bergkamen (50.000 inhabitants) which, under the innovative leadership of a committed mayor, has become a pilot in remunicipalizing public services in a broad multi-utility mix that includes energy, waste management and public transport) (Schäfer 2008)

#### *A cautious summary*

However, in order to realistically and cautiously assessing the potential of further remunicipalization, some other factors need to be considered . So, when considering to remunicipalize once the concession expires municipalities typically face difficult negotiations (on compensation etc.) with the outgoing private provider (on France see Bordonneau et al. 2010: 136). Moreover, they often lack skilled personnel to take the operation back in their own hands. So, 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 with the previous providers (see Grossi and Reichard 2016, 303).

### **The (re-) emergence of the third sector**

Although there is continuing debate on definitions , in this chapter the ‘third sector’ is understood as comprising (NGO- type) non-public non-profit organizations (such as the traditional not-for-profit organizations in Germany and Sweden) as well as the broad array of informal social actors (such as cooperatives, self-help organizations, social enterprises and the like). (Salamon and Sokolowski 2016)

As discussed above , in the late 19<sup>th</sup> century (‘pre-welfare state’) setting ‘informal’ societal organizations and actors were significantly engaged in local level provision of personal social services and care, and in some countries during the period of the advanced welfare state such organizations prevailed (particularly in Germany and Sweden) although under more recent neo-liberal regimes they lost ground to private sector (commercial) providers.

### *Public utilities*

In the provision of public utilities energy cooperatives have recently made remarkable advances. Founded typically by local citizens they join the cooperative movement which, historically dating back to the 19th century, is made up of a multitude of very mixed organizations that primarily focus on agricultural, housing, banking and consumer matters (Cooperatives Europe 2015).

In Germany, since the late 1990s, the founding of energy cooperatives has been prompted by the growing environmental engagement of citizens and this 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). It is worth recalling that energy cooperatives sprang up in Germany first in the late 19th century when

rural dwellers founded cooperatives typically in self-help initiatives as the private sector electricity companies refused to connect such remote areas. In the 20<sup>th</sup> century however, ‘energy cooperatives’ had almost disappeared until their recent revival.

In a similar vein, in France, since 2005 some 10 energy cooperatives have been established 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 they are likely to have further growth potential. However such forecasts need to be cautious since until now the overall quantitative contribution of cooperatives to 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 % 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 and care**

Third sector organizations and actors have also (re-)appeared 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 post 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 rest on a ‘hybrid’ concept of combining an entrepreneurial orientation with a ‘common good’ commitment (European Union 2014). In Greece, 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).

Some national policies have aimed at shifting the provision of personal social services and help for those in need back onto the affected individuals, their families and their peers or, more broadly, shifting such services to the societal or civil sphere.

In Italy the municipalities have traditionally played a relatively minor role in delivery of personal social services, which has largely been left – in line with the subsidiarity principle - to not-for-profit, mainly church-affiliated organisations and the families.

‘Recent Italian government policies have had the direct effect of further reducing public provision of social services and forcing people to rely ever more heavily on private provision... including informal, and sometimes cheaper, solutions such as ‘grey’ care by migrants’ (Citroni et al. 2016).

Societal organizations and actors have from local roots 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 the impact 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 19th 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 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).

In Poland 'the dynamic activity of NGOs is often seen as a form of 'social capital' and is regarded as a remarkable symbol of the positive shift which has taken place since the end of the socialist period' and reforms have 'encouraged citizens to organise many new social associations whose aim was to complement (or even replace) the role of state institutions in addressing social problems' (Mikula and Walaszek 2016).

### *A cautious summary*

Notwithstanding the remarkable (re-)emergence of third sector initiatives, organizations and actors, their future course and expansion should be assessed with caution. A major challenge 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 (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 the larger and longer established non-profit organizations (see Henriksen et al. 2016, 230).

## Conclusion

While, in a historical developmental and cross-country perspective, the institution and actor setting of service delivery have demonstrated largely convergent trends, the recent phase is marked by divergent and ‘bifurcated’ trajectories.

Under the advanced welfare state that peaked in the 1970s the delivery of public and social services was characterized, in a largely convergent manner, by the (‘social democratic’) preponderance of the public (state or municipal) sector . The exception was in those countries with a “conservative welfare state regime” (such as Germany and Italy) in which third sector (NGO-type) providers had a privileged position.

Under the neo-liberal policy shift since the 1980s and the EU’s market liberalization drive, the previous social democratic primacy of the public/municipal sector in service provision has given way, in an again largely convergent manner, to the marketization and pluralization of service providers with a growing salience of private sector companies and actors.

By contrast, the most recent phase since the early/mid-2000s is marked by a divergence and, as it were, ‘bifurcation’ of trends. On the one hand, marketization and privatization of service delivery has continued, if not intensified by the EU’s regulation of competitive service contracting and , driven by the EU’s regulation by the fiscal pressure to privatize public/municipal assets. On the other hand, the municipal sector has seen a ‘comeback’ in the provision of public services mirroring a re-appraisal of the performance and merits of the public/municipal sector in service provision; at the same time the (re-) emergence of societal third sector type cooperatives, social enterprises and self-help groups has occurred against the backdrop of the rising of social and personal needs caused by neo-liberal fiscal austerity measures. The ‘comeback’ of the municipal sector reminds us of the role which

the local authorities played under the advanced welfare state, as well as their 19<sup>th</sup> century pre-welfare state engagement, as the (re-) emergence of societal organizations and actors may be seen reminiscent of the crucial role such ‘informal’ organizations played in social service and care provision in the late 19<sup>th</sup> century ‘pre-welfare state’ period.

In the historical perspective another striking features comes in sight. During the phase of the advanced welfare state the decision-making regarding the institutional setting of services can be seen as largely taking place within and influenced by respective *national* arenas. By contrast, during the neo-liberal policy and New Public Management inspired phase the institutionalization of service provision appears shaped by an *internationalization* and more specifically by an “*Europeanization*” of the pertinent arena.

Finally, the recent phase appears, in either of its ‘bifurcated’ trajectories, taking on a ‘*globalized*’ dimension. Hence, further privatization has been significantly prompted, as a long-range effect, by the financial fallout 2008. At the same time, the ‘comeback’ of the municipal sector has been considerably triggered by a disenchantment with the “private sector” and the “market forces” revealed by 2008.

Similarly, the stepped up engagement of the local authorities in local level (renewable) energy provision (and the related national policy shifts) have been strongly impinged upon by the Fukushima disaster of 2011. Moreover, the re-emergence of ‘social actors’ in the provision of social services and care as resulting from fiscal austerity measures can, lastly, be traced back, as long-range effect, to the financial crisis. Thus, the divergent and ‘bifurcated’ institutional trajectories of the recent developmental phase can, through possibly multi-phased ‘causal loops’, be traced back firmly and essentially to global influences.



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