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Public and social services in Europe:

From public/municipal to private provision – and reverse?

A summary

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Public and social services in European countries.

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1. Introduction

This chapter attempts to summarise some of the most important findings from other chapters in this volume and draw some general conclusions. It goes without saying that, given the range of countries, service sectors and periods dealt with, this summary cannot be anything other than selective and broad-brush in its approach.

For a guide to the terminology, methods and conceptual framework underpinning this volume the reader is referred to the introductory chapter (Wollmann *in this volume*).

In line with the essentially institutional and developmental or chronological approach pursued in this volume this discussion is organised in terms of four stages and focuses on the most recent phase, the period since the mid- to late 1990s (see Section 4 below).

1 Late 19th century development

In the 19th century, during a period of rampant industrialisation and urbanisation in which the UK and then Germany were European frontrunners, the provision of public utilities (water, sewage, waste, public transport, energy) in their early, basic forms was seen mainly as a responsibility of local authorities (the ‘political community’ⁱ) and was labelled (sometimes for polemical purposes) as ‘*municipal socialism*’ (see Kühl 2001).

By contrast the provision of elementary personal social services was largely left to the ‘social community’ⁱⁱ, in other words to the ‘informal sector’ (Munday 2000) consisting of charitable, not-for-profit organisations, philanthropists, workers’ organisations, societal self-help groups and so on.

2 Services in the advancing and advanced western European (WE) state

2.1 Public services and utilities

After the rise of the advanced welfare state, which reached its peak in the 1970s, public utilities in WE countries were predominantly provided by the public sector (state as well as municipal) either directly (*in-house, en régie*) or through *corporatised (hived off)* public/municipal companies (municipally owned enterprises, MOEs; see Grossi and Reichard, Wollmann *in this volume*) and organisations. The quasi-monopoly of the public sector over service provision was meant to ensure that services were provided under the direct or indirect

control of elected public authorities ('government'), which would advocate and safeguard the *general interest*.

The energy sector was *nationalised*, that is to say taken from predominantly municipal ownership into state ownership. In the UK this happened in 1946 under the incoming Labour (socialist) government. In France nationalisation occurred in 1948 as part of the Gaullist drive to modernise post-war France (two state-owned monopolist energy corporations, *Electricité de France*, EDF, and *Gaz de France*, GDF were established). Nationalisation did not take place until later in Italy; the state-owned energy giant ENEL was created in 1962. In post-war Germany, however, under a conservative-liberal federal government the energy sector continued to be dominated by - mostly privately owned - regional energy companies. For historical reasons the municipal companies (*Stadtwerke*) had a significant, albeit minor role in the market, particularly in the transmission, distribution and (to a lesser degree) generation of electricity (see Wollmann et al. 2010; Bönker et al. *in this volume*). In Germany, Italy and Sweden the water sector was owned and operated by the municipalities and their companies, whereas in the UK it was nationalised by the post-war Labour government which transformed small municipal companies into state structures. In contrast, in France, there was a tradition of *outsourcing* (*gestion déléguée*) dating back to the 19th century, and so many municipalities outsourced water provision to external (private sector) companies (see Citroni 2010; Lieberherr et al. *in this volume*; Marcou chapter 5 *in this volume*).

2.2 Personal social services

It became in effect a principle of the welfare state that personal social services (such as care for the elderly) were provided primarily by the public sector itself since (state or municipal) employees were deemed best motivated and qualified to deliver such services. The history of the UK illustrates this well. In 1945 local authorities were put in charge of social service provision and it was one of the core functions of local government (see Bönker et al. 2010). The reform brought about an expansion of local administration in terms of both organisations and manpower and this led to some criticism of so-called 'municipal empires' (Norton 1994). Similarly, in Sweden personal social services were provided almost entirely by local government personnel. This was regarded as a crucial element of Sweden's welfare state model; the involvement of non-public (not-for-profit and so on) bodies was explicitly ruled out under the 1936 compromise ('hidden social contract', Wijkström 2000: 163) between the social democratic national government and the country's Protestant Church (see Wollmann 2008).

In Germany, in contrast, the privileged position that non-public, not-for profit ('welfare') organisations traditionally have with respect to the provision of personal social services derives from a compromise between the Prussian State and the Catholic Church which was reached in the 1870s. It was this compromise which, drawing on the latter's *Social Doctrine (Soziallehre)*, introduced the principle of subsidiarity into social services (and more widely) (Bönker et al. 2010; Bönker et al. *in this volume*). Similarly, in Italy, against the background of the Catholic Church's traditional involvement in charitable activities, services were largely delivered by not-for-profit (often church-affiliated) organisations (see Bönker et al. 2010: 105; Citroni et al. *in this volume*).

From a comparative perspective the history of the UK after 1945 can be seen to epitomise the public sector-centred model for provision of public and social services.

3 Post-1945 development in central eastern European (CEE) countries

After 1945, following the imposition of the Communist rule, public and social services in CEE countries were provided largely by the central state or by centrally controlled (municipal) units under the centralist, monolithic *socialist state* model (for accounts of developments in Poland, Czechoslovakia, Hungary and Croatia see respectively Mikula and Walaszek; Nemeč and Soukopova; Horvath *all in this volume*). A conspicuous exception was Yugoslavia, where a decentralised *self-management system* with comprehensive local public and social services was put in place (see Kopríc et al. *in this volume*).

4 Developments since the late 1970s in WE countries: Restructuring through NPM and market liberalisation

The neoliberal policy shift got its initial, powerful political and discursive thrust in the UK after 1979 under Margaret Thatcher's Conservative government and from there it spread to other European countries. Moreover, following the adoption of the Single European Act of 1986, the European Union (EU) embarked on a market liberalisation drive with the aim of creating a single European market by 1992.

Neoliberal criticism of the advanced welfare state and its public sector-centred model of service provision was centred on three issues.

First, the advanced welfare state was seen as overblown and in need of being trimmed back to a 'lean state' by way of asset or material privatisation. This approach was exemplified by the wholesale material privatisation of the energy and water sectors in the UK.

Second, insofar as services continued to be provided by the public sector, neoliberal doctrine advocated the *hiving off* (*corporatisation*) of operational units to form, while still publicly/municipally owned, organisationally (and often financially) quasi-autonomous companies and organisations in order to achieve greater operational flexibility and economic efficiency and escape the employment and financial regulations typical of quasi-monolithic (*Weberian*) 'core' administration (see Grossi and Reichard *in this volume*).

Third, neoliberalism also advocated the *outsourcing* (*contracting out*) of services, preferably by competitive tender, to external providers (primarily private, commercial providers; but also public, *mixed* (public-private) and non-public, not-for-profit providers) in order to attract and combine the different financial, motivational and know-how potentials of all partners involved.

4.1 Public utilities

Since the 1980s the UK has gone furthest in implementing neoliberal doctrines; it dismantled the allegedly excessive welfare state through material privatisation of the nationalised energy and water sectors. In response to EU directives on market liberalisation of the energy sector both France and Italy proceeded to transform their state-owned energy companies (EDF and ENEL respectively) into private law-based, quoted stock companies as a step towards selling shares to private investors, but 20 per cent of ENEL stock remains in Italian state ownership and 80 per cent of EDF stock continues to be held by the French state (for details see Wollmann et al. 2010; Alleman et al. *in this volume*).

In Germany, by contrast, the energy sector had for a long time been dominated by regional quoted (largely privately owned) energy companies, with the municipal energy companies, *Stadtwerke*, playing a noticeable, albeit minor role in the local energy markets through tradition. The federal legislation of 1998 that was meant to incorporate the relevant EU Directive into national law had the paradoxical effect of strengthening the oligopolistic and competition-adverse market dominance of the 'big four' (E.on, RWE, EnBW and Sweden's state-owned Vattenfall) whilst hastening the 'demise of the *Stadtwerke*' (*Stadtwerkesterben*) (see Wollmann et al. 2010: 177 ff.). In Sweden the energy sector continued to be dominated by state-owned Vattenfall (see Montin *in this volume*).

The UK water sector was entirely privatised, that is the assets as well as the right to operate the service were sold off. In France the private sector water companies benefited from the centuries-old practice of municipal outsourcing (*gestion déléguée*) of water provision and were able to extend their market share. The ‘big three’ (Veolia, SUEZ and SAUR) became nationally and internationally dominant players (see Citroni 2010; Lieberherr et al. *in this volume*). In Germany, water provision remained largely in municipal hands although private providers made significant advances, especially the French service giants Veolia and Suez and their German counterparts RWE and E.on (see Citroni 2010; Lieberherr et al. and Bönker et al. *in this volume*). In Sweden public utilities, including water provision, continued to be owned and operated by municipalities (see Montin *in this volume*).

4.2 Personal social services

Since the 1980s market liberalisation, to which the notions of competitive tendering and the purchaser-provider split are central, has run rampant through all European countries, resulting in shifts and ruptures in personal service provision. In the UK market liberalisation driven by 1980s legislation on *competitive tendering* put an end to local authorities’ quasi-monopoly on social service provision and led gradually to the dominance of private sector providers (see Munday 2000; Bönker et al. 2010).

In Germany the federal legislation of 1994, which opened up the market in long-term care, brought an abrupt end to the traditional quasi-monopoly of the non-public, not-for-profit so-called ‘welfare organisations’ (*Wohlfahrtsverbände*) which was rooted in the principle of subsidiarity. Subsequently there was a sharp increase in the market share of private sector providers (see Bönker et al. 2010: 111; Bönker et al. *in this volume*). As a result provision of personal social services, something in which local authorities used to be closely involved, has become ‘delocalised’ (Evers and Sachße 2003; see also Bönker et al. *in this volume*).

In Sweden, by contrast, the municipal sector and its personnel continue to deliver the majority of services, notwithstanding national and international pressure for market liberalisation, and private (commercial and not-for-profit) providers deliver no more than 20 per cent of personal social services (see Montin *in this volume*; Wollmann 2008).

5 Developments from 1990 onwards in CEE countries: Post-socialist transformation and restructuring

After 1990, following the collapse of the Communist regimes, the entire politico-administrative structure in CEE countries underwent a dramatic institutional transformation driven by the adoption of the traditional European” politico-administrative model. This included decentralisation of local government, and the reception of neoliberal, NPM-based ideas about modernisation that were then rampant in WE countries. In addition, EU policies, including the drive for market liberalisation have increasingly influenced institutional changes in CEE countries.

5.1 Public utilities

The reorganisation of public utilities (water, waste and so on) followed a similar path of institutional change in CEE countries as in the WE countries. Following a massive transfer from state to municipal ownership (*municipalisation*) local authorities have often, as a first step, established *corporatized* (that is organisationally semi-autonomous but municipally owned) organisations (called *budgetary institutions* in CEE countries). Subsequently private law companies (such as limited companies or stock companies) are created, providing private investors with institutional access; in other cases mixed (public/municipal-private) companies are created (for details of developments in Hungary, Poland, Czech Republic, Slovakia and Croatia see respectively Horvath; Mikula and Walaszek; Nemeč and Soukopova; Kopric *all in this volume*). At the same time, the municipalities began outsourcing or contracting out more and more public services to private providers through concessions and contracts, as well as asset privatising the related facilities.

In Hungary state companies active in the energy sector were transformed into private law companies and, in line with the EU’s *unbundling* principle, the generation, transmission and distribution functions were separated at organisational level. In 1995 a large-scale privatisation programme resulted in most of the transmission and distribution companies being taken over by private investors (see EPSU 2010). In contrast, in Poland the largest energy company is still 85 per cent owned by the state (see EPSU 2010; see also Mikula and Walaszek *in this volume*).

In most CEE countries the water sector has, after being transferred from state to municipal ownership, remained mostly in municipal hands. In Hungary the 377 municipally owned water companies – a highly fragmented network - have largely outsourced water provision to private and, more particularly, foreign companies; Veolia, SUEZ, RWE, and E.on are prominent players (see Kuhlmann and Wollmann 2014: 198; Horvath *in this volume*).

5.2 Social services

In the course of the transformation of 1990 most CEE countries pursued a policy of comprehensive decentralisation of public functions and thus local authorities were handed the responsibility for the provision of social services. In Hungary about 40 per cent of services are provided directly by local authorities, 15 per cent by public benefit companies, 5 per cent by churches and 15 per cent by non-governmental organisations (NGOs) (see EPSU 2010; Horvath *in this volume*).

6 Developments since the mid-late 1990s in WE and CEE countries

Since the mid-late 1990s the institutional development of public and social services has been shaped by an array of somewhat conflicting and contradictory factors of which the following are the most notable.

- The EU drive towards market liberalisation of *services of general economic interest* (SGEI) in all member states has continued (see Marcou chapter 2 *in this volume*; Bauby and Similie *in this volume*); however a December 2009 protocol modifying the Treaty of Lisbon gave local authorities ‘wide discretion’ ‘in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users’¹.
- There are still influential political and institutional advocates of the neoliberal belief in markets and the superiority of the private sector over the public sector when it comes to provision of public and social services, not least at local government level. However disenchantment with neoliberal maxims and premises has been reflected in and amplified by an ever more noticeable change in politico-cultural values in favour of public or municipal service provision. This disenchantment has surfaced in surveys and local referenda (for instance in Germany, see Kuhlmann and Wollmann 2014) as well in national referenda, such as that held in June 2011 in Italy when asset privatisation in the water sector was overwhelmingly rejected (see Citroni et al. *in this volume*).
- In some Nordic European countries, such as Germany and Sweden, institutional developments in service provision have taken place in a largely financially and

¹ See <http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/protocols-annexed-to-the-treaties/679-protocol-on-services-of-general-interest.html>

economically stable context; however since 2008 southern European countries, especially Greece and Spain, and the CEE countries have been beset by a deepening budgetary ('*sovereign debt*') crisis which has seriously affected service provision, thus intensifying the *north-south* and *west-east* divides within Europe.

Since the mid-late 1990s the trajectories of institutional developments in service provision have diverged, according to various factors, including country- and sector-specific factors.

6.1 Public utilities

6.1.1 Between 'in house' and 'corporatised' ('hived off') provision

Since the mid-late 1990s the trend towards corporatising (hiving off) service provision, particularly in the form of 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 *in this volume*).

Since external players in the public services sector tend to act in accordance with their specific (mono-functional, essentially economic) rationality, horizontally *pluralised* (*governance*-type) actor networks have emerged.. These have triggered and promoted some centrifugal dynamics as they operate largely outside the direct influence of elected political authorities (*government*) and tend to defy if not run counter to claim of *government* to advocate and bring to bear the *general good* and 'political rationality' (for the *government/governance* debate see pace-setting Rhodes 1997; for the distinction between *economic* and *political rationalities* see Wollmann 2014 and Wollmann *in this volume*).

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

In Sweden, where 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 *in this volume*), the MOEs tend to have a *hybrid* perspective. Because they are exposed to competition from private sector companies they tend to be guided an entrepreneurial, profit-seeking economic

rationality; however, because they are 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 *in this volume*; Wollmann 2014)

In Germany, too, the trend towards corporatised municipal companies (MOEs) has extended to almost all sectors (see Bönker et al. *in this volume*; Grossi and Reichard *in this volume*). The centrifugal dynamics of MOEs have posed a serious challenge to the high-level steering capabilities of local authorities, which they 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 territorio 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 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. *in this volume*).

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 *in this volume*). National legislation passed in 2002, stipulating that thenceforth only *companies of public benefit* could be established, was intended to retard 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 corporatised 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.

6.2 ‘Outsourcing’

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 details of developments in Poland see Mikula and Walaszek *in this volume*).

However, in some countries and service sectors the *outsourcing* of public functions and services has been reversed through *re-insourcing* and *remunicipalisation*, as local authorities decided to take them back into local public ownership or at least bring operations under direct local control (see below).

6.3 Asset (material) privatisation

In WE countries asset privatisation of services has recently been extended, 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 *in this volume*)

In CEE countries wholesale and partial asset privatisation of service facilities continues to gain momentum as the post-1990 process of institutional transformation progresses. The budgetary crises afflicting these countries provide a further stimulus for privatisation (see specific country reports *in this volume*).

The recent budgetary (‘sovereign debt’) crises have also prompted further asset privatisation in South European countries (for details on the responses of Greece and Spain see respectively Tsekos and Triantafyllopoulou *in this volume*; Magre Ferran and Pano Puey *in this volume*).

6.4 The comeback of the public or municipal sector?

In some countries moves towards remunicipalisation of public services have gained momentum. This shift in policy has been driven by a combination of factors: disenchantment with the neoliberal belief in the superiority of the private sector; local authorities’ growing motivation and resolve to regain control over public utilities and benefit financially from providing public utilities; a change in politico-cultural values to favour public sector service provision; mounting political pressure *from below*, for example local referenda (see Kuhlmann and Wollmann 2014: 200); expiry of concession contracts and so on. Sometimes remunicipalisation takes the form of *re-insourcing* services, alternatively it may involve

purchasing back asset privatised facilities (see Hall 2012; Wollmann 2014; Kuhlmann and Wollmann 2014).

From an international perspective the most conspicuous example of a ‘comeback’ of the municipal sector in the context of provision of public utilities is the case of the energy sector in Germany. Here the municipal companies (*Stadtwerke*), which had lost ground to the ‘big four’ have regained operational strength and won back market share (see Wollmann et al. 2010; Bönker et al. *in this volume*). Even in France, where the largely state-owned energy giant EDF still has a near monopoly, the municipalities have recently made moderate advances, particularly in the renewable energy field (see Alleman et al. *in this volume*).

A similar trend towards remunicipalisation can be observed in the water sector (see Wollmann 2014; Bönker et al. *in this volume*; Lieberherr et al. *in this volume*).

Hungary represents a case of conspicuous remunicipalisation or even renationalisation. Since the ultra-conservatives came to power under Viktor Orbán in 2010 larger cities such as Budapest, and then the national government, started to re-purchase assets and shares of companies that had been privatised after 1990. The Orbán government has defended this public sector-friendly approach (somewhat counterintuitive as a conservative policy) on the ground that the private companies abused their dominance by overcharging for services (see Horvath *in this volume*).

Although there is empirical evidence of a ‘comeback’ of the municipalities and their companies in some countries and some service sectors, at present, and in the absence of additional evidence, the trend appears limited. It should be noted that in the majority of cases in France and Germany a concession contract is renewed or extended when it expires; only in a minority of cases does the municipality make use of the opportunity for remunicipalisation (in Germany this happens in just 2 per cent of cases; see Grossi and Reichard, Bönker et al. *in this volume*). When thinking about the future it should be noted that changes in EU and national policies (for instance in the ‘renewable energy turnaround’) and the potential for a more widespread politico-cultural preference for public or municipal service provision might lead to more extensive remunicipalisation (for a cautious assessment of this prospect see Bönker et al. and Bauer and Markmann *in this volume*)

6.5 Personal social services: alternatives to public or municipal provision and marketisation

Local governments and companies owned or controlled by local governments continue to be providers of personal social services.

Among WE countries, this is particularly true of Sweden where, mirroring the historically strong role of local government, a large majority (up to 80 per cent) of personal social services are still delivered by municipalities or their MOEs. However, reflecting the NPM-inspired drive towards market liberalisation which has been in progress since the early 1990s, ‘market oriented reforms in care for the elderly have transformed local government from being a sole provider to being both purchaser and provider’ (Montin *in this volume*).

In Germany, where the traditional quasi-monopoly of the non-public, not-for-profit (NGO-type) welfare organisations was abolished in 1994 by market liberalisation-inspired legislation the distribution of service providers has changed dramatically. These changes have been especially marked in provision of residential care for the elderly, where private, commercial providers’ share of the market had risen to 40 per cent by 2011 whilst that of the municipalities proper dropped almost to zero, with NGOs (traditionally the dominant players) still having some 55 per cent of the market (see Bönker et al. *in this volume*).

In most CEE countries the public-municipal sector still dominates provision of personal social services, which probably reflects the historically determined persistence of the socialist state-based model of service provision whose ‘dismantling... is still in the very early phases’ (Nemec and Soukopova *in this volume*). Residential homes for care of the elderly are almost entirely run by public or municipal staff in the Czech Republic, and in Croatia 70 per cent are publicly run (see Nemec and Soukopova, Koprivic et al. *in this volume*). Perhaps because of continuing state dominance in most CEE countries non-for-profit providers run only a very small proportion of services – probably a consequence of their almost total elimination under the Communist regime). The exception is Poland, where 25 percent of the homes for elderly and disabled people are run by NGOs, primarily church-affiliated organisations ‘which have a tradition of providing such services which goes back many decades and was unbroken even during the Communist period’ (Mikula and Walaszek *in this volume*).

More recently the provision of personal social services and aid for those in need has been affected in several ways by budgetary crises and the ensuing fiscal austerity policies.

6.6 Social enterprises

In 2011 an EU policy initiative and funding programme based on the concept and goal of ‘combining a social purpose with entrepreneurial activity’ in a kind of *hybrid* orientation and

profile (see EU 2014 with a reference to related country reports on all EU countries) provided another stimulus for institutional change. This was a remarkable move by the EU which was intended to complement and to some extent rectify the fixation on economic efficiency which has been the hallmark of the EU's persistent drive towards market liberalisation. In Greece, for instance, *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 *in this volume*).

6.7 Top-down political initiatives to engage or re-engage societal players

There have been some national policies 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 into the societal or civil sphere. These might be considered to represent, in essence, a return to a pre-welfare state era.

In Italy the municipalities have traditionally had a very minor role in delivery of personal social services, which has largely been left – consistent with what might be seen as a version of the subsidiarity principle - to the families and to not-for-profit, mainly church-affiliated organisations. '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. *in this volume*; see also Bönker et al. 2010).

Similarly in the UK, under the umbrella concept of the 'big society' which was promoted by David Cameron's coalition government which took office in 2010 (see McEldowney *in this volume*; see also Buser 2012), there have been policies which have an unmistakably neoliberal flavour, even if they are not explicitly directed at returning to a pre-welfare state. The general aim appears to have been to shift the operational and financial burden of providing personal social services and care for those in need back onto the affected individuals, their families and the societal sphere.

6.8 'Bottom-up' initiatives to re-engage societal players

Mention should be made of the comeback of cooperatives and citizens' associations which are organised for self-help or to help other citizens (for more on the *Genossenschaften* in Germany see Bönker et al. *in this volume*; for discussion of the 'renaissance' of cooperatives see Bauer and Markmann *in this volume*).

Against the backdrop of the financial and socioeconomic crisis and the ensuing fiscal austerity measures societal groups and organisations and social movements have sprung up outside ‘formal’ structures. They are grassroots, counter-establishment movements (Warner and Clifton 2013) whose aim is to create bottom-up social networks to provide help for themselves and for others.

In Greece a number of local voluntary groups have sprung up, first in big cities - for example the ‘*Atenistas*’ in Athens - then ‘all over the country’ (Tsekos and Trantafyllopoulou *in this volume*).

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 *in this volume*).

In Turkey a powerful bottom-up, self-help movement has evolved in response to the failure of national housing policies. Squatter groups (*gecekondu*, literally ‘built overnight’) have emerged in the mushrooming big cities and have ‘become the main self-help mechanism of urban settlement’, with 27 per cent of the urban population or 1.1 million people living in such *gecekondu* quarters in 2002 (Bayraktar and Tansug *in this volume*).

6.9 Comeback of the ‘social community’?

As alluded to earlier (see Section 1 above) during the 19th century provision of basic personal social services and aid for those in need was largely left, in what was effectively a pre-welfare state era, to church-affiliated charities, bourgeois philanthropists, workers’ self-help cooperatives and so on – in other words to the *social community* (for the historical distinction between the *political* and the *social community*, see Wollmann 2006). One might point to the recent ascent and re-engagement of societal and civil players, and new insistence that individuals and their families should take primary responsibility for coping with socio-economic needs as a re-emergence of the 19th century, pre-welfare state social community.

5. Convergence or divergence?

Finally, to summarize, the question shall be addressed whether there have been convergent or divergent institutional developments during different stages amongst European countries in the provision of public and personal social services.

5.1. 19th century background

During the (late) 19th century, in the wake of industrialization and urbanization, the provision of public utilities (water, sewage, waste, energy and public transport) was seen in their early basic forms mainly as a responsibility of the local authorities (that is, of the ‘political community’) which was sometimes labelled as ‘municipal socialism’.

At the same time, personal social services, such as care for the elderly and frail, were left largely to the ‘social community’. made up of philanthropists, charitable non-for-profit organizations, workers’ cooperatives, societal self-help groups and the like for the distinction between ‘political’ and ‘social community’ see Wollmann 2006).

Hence, in the pre-welfare state stage the provision of public and social services was, one way or the other, strongly anchored in the local arena.

5.2.1. Rise of the advanced welfare state in WE countries

In (West) European (WE) countries, following the rise of the advanced (national) welfare state which reached its peak in the early 1970s, public utilities and personal social services came to be predominantly provided by the public (state or municipal) sector – resulting from ‘nationalisation’ (particularly of the energy sector in the U.K., France and Italy) and from the further expansion of local level public and social services. It was assumed that the public sector’s quasi-monopoly over service provision ensured that services would be directly or indirectly controlled by a democratically elected local government as the advocate of the ‘general interest and of a ‘political rationality’. During this period the non-public sector, especially the private sector, was sidelined in the provision of services. After 1945 the UK epitomised the public sector-centred model of provision of public and social services.

5.2.2. *'Socialist' State in CEE countries.*

In the Central Eastern European (CEE) countries, during the post-war period under Communist rule, public and social services were rendered essentially by the public sector of the centralised 'socialist' state.

5.3. *Public sector reorganization in WE and CEE countries following the 1980s and 1990s*

Since the early 1980s in WE countries, the previous public sector dominance in public and social services provision was significantly dismantled under the impact of New Public Management (NPM) maxims and (neo-liberal) market liberalisation, essentially promoted by the EU. Consequently a dramatic horizontal de-concentration, disaggregation and pluralisation of the organisational structure of service provision has occurred by way of 'corporatisation' (that is, the transfer to organisationally and financially autonomous, but still municipally owned companies), through outsourcing ('contracting out') of functions to outside providers, preferably private sector commercial ones, as well as by fully fledged material (asset) privatization of ownership and operation. Hence, a multitude of service providers have emerged and expanded in the local arena that are typically guided by their specific interests and their own (often economic) 'rationality'. As these service providers act largely outside the ('hierarchical') influence of elected local *government* they are setting off some (centrifugal) dynamics which challenge and run counter to the political mandate and claim of (local) government to represent and bring to bear the 'general interest' and its 'political rationality'. This structural tension can be mitigated and possibly resolved if (as in the case of Sweden, see Montin in this volume) ('corporatised') municipal companies show a 'hybrid' (Montin) orientation in service delivery as they, on the one side, are guided, being exposed to a competitive environment, by a profit-seeking entrepreneurial (economic) logic and 'rationality', while, on the other, being embedded in the local political context, they regard themselves as also committed to a 'political rationality' (see also Wollmann 2014: 68).

In CEE countries, in the course of the secular transformation since the early 1990s, the previous quasi monopoly of the ("Socialist") State sector in the provision of public and social services has been dissolved as well, for one, through *municipalisation*, that is the transfer of

State into municipal ownership and operation, and second (and sequentially) by way of *corporatisation*, *outsourcing* and asset privatization. Hence, the dominance of the ‘monolithic’ and monopolist State sector has given way to an organisational vertical deconcentration and pluralisation which has been strongly propelled by the imperatives of European Integration and the ensuing processes of ‘isomorphism-type’ (DiMaggio/Powell 1991) adaptation.

From ‘government’ to ‘governance’?

In conceptually and terminologically drawing on the ‘governance’ debate (see pace-setting Rhodes 1997) the institutional development in service provision during the aforementioned two phases can be (‘broad brush’) summarized and interpreted as follows. In the period of the advancing and advanced welfare state which climaxed in the early 1970s the public and social services were essentially delivered by the public (state or municipal) sector under the influence and control of (State or local) *government* that is politically mandated to advocate and bring to bear the ‘general good’ and the ‘political rationality’. By contrast, the subsequent stage of reorganization of service delivery driven by NPM maxims and EU market liberalisation has been marked by the emergence and expansion of networks of actors that each are guided by their own specific, often economic, ‘rationality’ and essentially operate outside the immediate reach of ‘government’. Such actor networks have been identified and defined, in the pertinent social science debate (see Rhodes 1997), as ‘*governance*’ structures. Within such ‘governance’ setting and arena traditional ‘government’ is, in principle, just one actor and player among others without having a ‘hierarchical’ influence on them. Thus, in its attempt to assert itself and to make its ‘general good’ commitment and political ‘rationality’ prevail *government* is bound to resort to ‘non-hierarchical’, ‘soft power’ and, as it were, to ‘governance’-typical strategies and instruments such as persuasion, negotiation, financial incentives and the like (see Kaufmann et al. 1986, Wollmann 2003).

5.4. Institutional development since the mid-1990s

Since the mid-late 1990s the institutional development in the provision of public and personal social services has shown both convergent and divergent traces between countries and sectors.

For one, in its main stream the institutional development of public and social services provision points at further horizontal deconcentration and pluralisation of service providers by way of *corporatization*, *outsourcing* and *asset privatization*. In CEE countries where the secular post-1990 transformation is in part still ‘unfinished’ the organisational reorganisation keeps being incited also by an institutional ‘catching up’ and ‘isomorphist’ adaptation process. Furthermore, material privatization of the assets and operation of public utilities has been prompted by the budgetary (‘sovereign debt’) crisis, notably in South European, but also in CEE countries. Resulting from this main stream development the centrifugal dynamics of governance- type actor networks have increased while correspondingly the direct influence of ‘government’ is further slipping.

Second, another current has recently gained momentum that is marked by a growing involvement of ‘societal’ (‘third sector’ or ‘informal sector’-type) actors in service provision. The impulses for such increased ‘societal’ engagement have come from two directions. On the one hand, neo-liberal policies, exemplified in the U.K. by Cameron’s 2010 ‘Big Society’ initiative, have aimed ‘top down’ at shifting financial and operational responsibilities from the public sector back to ‘the society’, that is, essentially to the individuals, their families and ‘societal’ actors.. On the other side, local level initiatives, organisations and groups have sprung up ‘bottom up’ in reaction to fiscal austerity measures and cutbacks in public spending on services provision - ranging from cooperatives and ‘social enterprises’ to ‘grass root’ self-help initiatives..

Such ‘societal’ organisations, groups and individuals add still another institutional and actor dimension to the ‘pluralisation’ of the already existing ‘governance-type’ actor networks and still increase the centrifugal dynamics unfolding outside ‘government’. Insofar as they serve, be it by political intention or by self-chosen function, to make up for gaps and deficiencies in existing structure of service provision, they are, in a way, reminiscent of the ‘social community’ (of the 19th century) resuming responsibilities in a pre-welfare state stance.

Thirdly, in some countries (for instance in Germany) and sectors (noticeably in the energy sector) the provision of public services (public utilities) has seen some ‘re-municipalisation’ as local authorities and their companies have turned to repurchase previously sold municipal assets or to ‘*re-insource*’ previously outsourced services provision. Thus, local governments have experienced a ‘comeback’ as relevant actors in the field of local level service provision..

5.6. *Pendulum swinging back?*

Finally, against this backdrop, the question may be asked whether, in a developmental perspective, as ‘back swing of the pendulum’ can be observed.

The *pendulum* image goes back to 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 hypothesized (see Stewart 2010). Resumed by Millward (see Millward 2005) the pendulum image has recently been taken up in the international comparative debate on the development of service provision (see Röber 2009, Wollmann/Marcou 2010b, Hall 2012, Wollmann 2014).

While the pendulum metaphor, besides being intellectually appealing, provides a useful heuristic lens to possibly identify developmental stages and waves two inherent limits and traps should be borne in mind. For one, the differences should not be ignored that exist between the respective historical setting and contextuality, that is, between the current situation and the historical point of reference. Second, the image should not mislead to assume a kind of determinism or cyclism in the movement of the pendulum swinging back and forth (see Bönker et al., Bauer/Markmann, in their chapters *in this volume*).

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ⁱ For the distinction between ‘political’ and ‘social community’ see Wollmann 2006.

ⁱⁱ See Note 1.