Observatory for Sociopolitical Developments in Europe

Marketization of social services in Sweden

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Content

Summary

This brief expertise deals with the following questions: Was there a trend to marketization of social services in Sweden since the beginning of 2000? Are there effects on quality and costs?

In the appendix there is a costs and benefits analysis of the marketization based on the publicized results of a selection of studies. This analysis sets its focus on three sectors of social services; non-residential elderly-care, nursing homes and child care.

1 Privatization vs. Marketization

Frequently, references are made to the *privatization* of social services. However, in many cases hereby is often meant a *marketization* procedure. Therefore we provide the following definitions of terms:

- *Privatization* means the sale of the ownership's rights of public assets by public institutions (e.g. a public company, governmental infrastructures, etc.). The status of the asset and its usability is transfered from public to private (Hodge 2000, quoted after Petersen/Hjelmar, 2014).
- The concept of *marketization* includes different types of contractual agreements between organizations of the private sector and public institutions. The objective to guarantee and externalize the provision of social services in exchange for public resources (Brown and Potoski 2003, quoted after Petersen/Hjelmar, 2014).
- The most common forms of *marketization* procedures in Sweden are the *contracting out system* and the *free choice system* (Petersen/Hjelmar 2014)
    - *Contracting out*:

      Contracting out means the transfer of the responsibility for the provision of social services from public to private organizations (not-for-profit or profit-oriented). In this case, the public sector assumes the primary role in the provision of social services, including its financing and monitoring (Bhatti et al. 2009 quoted after Petersen/Hjelmar, 2014).
    - *Free choice system*:

      The *free choice system* offers the selection between different providers of social services for users. Independently of which provider provides the social services, public resources are made available to the citizens through a voucher system for the use of social services (Petersen/Hjelmar 2014).

2 Development of the marketization of social services in Sweden

- The Swedish municipal administrative law of 1991 enabled the municipalities to outsource the care of older persons through *contracting out* (Brennan et al. 2012). The objective was to increase cost-efficiency due to the economic depression of 1990 (Blomqvist 2004).
- Until the middle of the nineties, the share of the total number of private providers[1] (in the sectors; non-residential elderly-care, nursing homes and child care) in Swedish municipalities was only less than 1% (Szebehely 2011). By 2011 this share had increased to 19% (see Table 1).
- The marketization of social services took place and at currently occurs in metropolitan areas. In Stockholm and its city environment for example, 50% of the care of older persons (out-patient and in-patient) are currently outsourced (Brennan et al. 2012).

Table 1 Providers of social services in Sweden 2011, latest available data

		Share in %
Home care/out-patient care	Profit-oriented organizations	16 -17
	Not-for-profit organizations	2 -3
	Public providers	81
Nursing homes	Profit-oriented organizations	16 -17
	Not-for-profit organizations	2 -3
	Public providers	81
Child support centers	Profit-oriented organizations	8
	Not-for-profit organizations	11
	Public providers	81

Source: Szebehely (2011) and Agency National for Education (2011)

1 The term "private provider" includes both profit-oriented and not-for-profit organizations.

3 Summary

1. From 2003 to 2010, the share of the 290 Swedish municipalities, in which there is a marketization of the care of older persons, increased from less than 5% to more than 50% (Brennan et al. 2012).
2. The effects of the marketization of social services in Sweden on the costs for municipalities and on the quality are deficiently documented. There is no systematic verification of quality improvements or cost-savings through the marketization of social services (Harman 2011 quoted after Petersen and Hjelmar 2014).
3. Geographical criteria play a key role in case of the possibilities of free-marketing social services in Sweden. In particular, those Swedish regions with the largest density of population offer incentives for private providers. A concentration of free-marketing of social services therefore arises in Swedish cities.
4. There is a trend towards oligopolistic structures in metropolitan areas: Two companies which are associated with international private-equity investment companies operated 50% of the Swedish care services for older persons (out-patient and in-patient) (Meagher and Szebehely, 2010) 2008.
5. The current Swedish contracting of social services (and the market access for private providers) on a municipal level is especially complex and information-asymmetric, since no former market references and market experiences in Swedish municipalities are available (Statens Offentlige Utredningar 2011 quoted after Petersen and Hjelmar 2014).

4 Appendix: Selected results of cost benefit analyses related to social services in Swedish municipalities (2000 to 2012)

- The three sectors of social services analyzed (non-residential elderly-care, nursing homes and child care) constitute approx. 30% of expenditures of Swedish municipalities (Petersen and Hjelmar, 2012: 5).
- Very little research, or none at all, exists about the marketization of other social services in Swedish municipalities, such as services for handicapped people, between 2000 and 2012 (Petersen and Hjelmar, 2014).

4.1 Marketization of non-residential elderly-care

4.1.1 Costs

- The majority of studies could not verify any cost saving for the municipalities through marketization (Petersen and Hjelmar, 2014).
- Only one study of the Swedish Finance Ministry indicates some reduction in the public expenses, however, without considering the transaction costs[2] (Finance Ministry 2004, quoted after Petersen and Hjelmar, 2014).
- A study of the Swedish Municipal Association indicates a rise in administrative costs through the free choice system (Sveriges Kommuner og Landsting 2009, quoted after Petersen and Hjelmar, 2014).
- In the area of the delivery of meals, lower costs could be verified by marketization (Erhvervsministeriet / COWI, 2000; Udbudsrådet and Ramboll 2009, quoted after Petersen and Hjelmar, 2014).

4.1.2 Quality

Studies related to the development of the user's satisfaction come to different conclusions at different times:

- **2000 - 2005**: Higher user satisfaction with the private service providers than the public ones (Finance Ministry 2004; Ankestyrelsen 2004; Ankestyrelsen 2005, quoted after Petersen and Hjelmar, 2014).
- **2011**: Higher user satisfaction with the public service providers than the private ones (Indenrigs- og Socialministeriet 2011, quoted after Petersen and Hjelmar, 2014).

[2] Transaction costs are for example information costs, business initiation cost, negotiation and attorney costs, exchange and contract conclusion costs, control costs, as well as costs in connection with the adaptation of contract conditions or handling costs.

4.2 Marketization of nursing homes

4.2.1 Costs

Only one study reporting about the *contracting out* system in two Swedish municipalities can be found: Only in the case of one nursing home 20% cost savings could be verified. The reason was the reduction of the offers of the public service providers which included numerous services which were not required by the users. However, the transaction costs were not considered. (Servicestyrelsen 2009 quoted after Petersen and Hjelmar, 2014).

4.2.2 Quality

There is no systematic verification of quality improvement. There exist only occasional data items relating to individual areas.

Private and public providers in comparison:

- 9% less employees per resident with the private providers (Stolt, Blomqvist & Winblad, 2011).
- In private nursing homes, 7% more residents participate actively in their personal care programs (ebd.).
- 26% more residents of private nursing homes are provided with a selection consisting of two or more courts (ebd.).
- In private nursing homes 15% less residents have a long time period (more than eleven hours) between breakfast and supper (ebd.).
- With respect to employee contentment, no relevant differences were verified (Gustafsson & Szebehely 2007, quoted after Petersen and Hjelmar, 2014).

4.3 Marketization of the child care centers

4.3.1 Costs

- With respect to the effects of *the contracting out* systems on costs for municipalities, there is no detailed information available (Petersen and Hjelmar, 2014).
- Only one study indicates 4% more administrative costs for the municipalities with the *free choice system* (Udbudsrådet and Ramboll 2011, quoted after Petersen and Hjelmar, 2014).

4.3.2 Quality

- The employees of the public child care centers indicate a higher level of training. However, the number of children per employee is higher in the public centers (Finance Ministry 2004; Udbudsrådet/Ramboll 2011, quoted after Petersen and Hjelmar, 2014).

- The studies do not consider any further quality indicators, such as for example social behavior, intelligence or schooling service (Petersen and Hjelmar, 2014).
- The employee contentment level is not considered in any study (Petersen and Hjelmar, 2014).

4.4 Summary

An efficiency increase as a result of free-marketing is not detectable on a municipal level. The lack of efficiency improvements could be explained by the following factors: Low level of competition, information asymmetry and low level of development of these markets.

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