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Privatization of Social Care Services in Finland

Abstract

Privatization of social care services is a strong trend throughout Europe. This article discusses this trend in Finland, a country which follows traditionally the Nordic welfare model based on a state-centered social policy and responsibility of the public power for people's welfare. Reasons given for privatization in the Finnish debates as well as its forms and extension are introduced. Its consequences are surveyed especially from the point of view of professional social work. In the Finnish welfare system social workers are traditionally civil servants employed by municipalities who are responsible for organizing social care services according people's needs and social rights. Until now educated social workers have not been active in starting up their own business. Rather they play a special role of expertise in the purchasers' side in the purchaser-provider model in which municipalities use the mechanisms of competitive tendering. This brings new kind of professional expectations to social workers, especially the demand to be able to define and control the quality of social care services produced by private for-profit organizations.

Introduction

This article discusses the grounds and forms of the tendency to privatize a part of the social care services in Finland and its impacts on social work¹. In order to understand the process of privatization of social services in Finland it is important to know that after the World War II, especially since the 1960s, Finland has followed the Nordic welfare ideology according to which the public organisations, the State and municipalities, are responsible for welfare and social security of people. Municipalities have statutory tasks to administer welfare services according to people's individual needs. Traditionally, municipalities have produced those services by themselves. In the 1990s, this tradition got a new direction when the responsibility of municipalities was described by a new concept, local organizing. The door to the trend of privatization of welfare services was opened. Municipalities started increasingly to organize basic services by purchasing them from external sources. This announced a new era in the history of the Finnish social order. In the first decade of the 21st century the trend of privatization has remarkably intensified in social and health services.

Reasons for privatization

There has been a rapid increase in the number of private welfare services in Finland in the last 20 years, especially in the first decade of the 21st century. Generally, the countries which have followed the Nordic welfare state model have been the last to privatize welfare services. Three

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grounds for the growth of private social and health care services in Finland are suggested to be the following (Rissanen, Hujala & Helisten 2009):

1. The emerging aim to find best practices of care and services internationally, at least at European level
2. Changing policy in national social, health, economics and management
3. Clients' and professionals' views of private care.

In Finland the political atmosphere is open for reducing the public sector. Privatization of services has been seen an instrument for this. It is supported politically by the Government in different ways. Entrepreneurship is supported through the system of education from elementary to higher education. Private services are supported also economically with direct support and special loans to enterprises and through the system in which service users can reduce a part of the fees in their tax assessment. The philosophy of New Public Management favours privatization. In the public affairs the ideology of market socialism is replaced by market capitalism according to the liberal ideology of economy.

Many clients' and professionals' views of private care are positive because the lack of public services increases the demand of private services. For example for some elderly people, private services are an opportunity to get care according to their wishes and needs (Rissanen & Sinkkonen 2005). In other fields of social care private services also complement the public ones. Privatization is mostly seen to have a positive impact on development in the social welfare fields although there are also more hesitant opinions.

Actually there are two main dimensions in the increase of private care services, the financial and political. Every welfare system depends on these two elements which have been defined as two fundamental preconditions of any welfare state (Hämäläinen & Niemelä 2005). The trend of privatization shows that these elements are also closely connected with each other.

There are several positive expectations of privatization. It is expected that privatization will cut the growing expense of services, increases the quality of services through competition, produces social innovations and diversifies the alternatives for choice of service users (Koskiahio 2006). In any case, financial issues are the baseline of privatization. It is a fact that municipalities have great challenges in their financing of the welfare services they are obliged by law to provide.

The philosophy of New Public Management plays an important role in the tendency of privatization, not only in Finland but everywhere. It stresses market-based managerial practices in the welfare sector (e.g. Clarke, Gewirtz & McLaughlin, 2000) in terms of the separation of the purchaser and provider role, open competition between service providers, and the role of profit-for-organization in development of a market mechanisms for welfare services, also the labour process of state social work (Harris, 1998; see Rissanen & Sinkkonen, 2005:319). Generally speaking, municipalities tend to expect especially economical advantages by following this way of thinking.

The proportion of the social and health sector in the budget of the Finnish municipalities is usually over 60 %. The main reason for the trend of privatization is the increase of the costs of welfare services. Because of this municipalities have difficulties to fulfill their statutory responsibilities. This

induced the municipalities to take a path to the ideas of efficiency and productivity, not only in the welfare sector but in their economy as a whole. The tradition to produce social services on their own accord broke down. Municipalities started to compare expenses and became aware of new opportunities to try to save costs by buying the services from private service producers. This is called a purchaser-provider model.

There are several theoretical schools around the trend of privatization and the purchase-provider model. One school of thought is convinced that it is the most economic way to organize local services. Contrary to this the second school regards the traditional self-production as the most advantageous. The third school emphasizes a welfare mix model in which some services are purchased and some of them produced by municipalities. Out of the three the last one, the mix model, is the dominant school of thought in theory and practice. Municipalities sustain side by side their own production as well as also purchasing services. The trend is that municipalities produce specifically short-term care services and purchase increasingly long-term care services.

There is no theoretical and political agreement of the pros and cons of privatization. Many people take the view that from the economic perspective municipalities are already too dependent on outside providers. Some say that this incurs a risk to municipalities' role to fulfill their tasks fixed by law and to exercise their public power. The financial issues are in so far complex in the area of welfare service economy and there is such a small amount of research based knowledge in the field that it is very difficult to identify the advantages and disadvantages of privatization. Summarizing the reasons for privatization in Finland, the main reason for it is that municipalities expect that the expense of services can be reduced and their quality improved by market mechanisms in terms of privatization.

Forms/models of privatization

We speak generally about privatization but it is important to notice that there is variation in the use of this term. The term privatization is a complex one. It has been interpreted to have at least the following meanings (Nieminen 2009):

1. To sell public property to private buyers
2. To reduce the percentage of the public sector in the national economy
3. To deregulate in terms of reducing public regulations
4. To use more competitive principles and strategies in the public sector
5. To produce public services increasingly by private producers
6. To reduce the provision of certain public services so that people have to provide for themselves through self-help and communities.

In Finland the privatization of social services is primarily connected with points 4 and 5, which means that more competitive principles and strategies are used in the sector of public social services and that care services are increasingly produced by private companies. The trend of privatization somehow ideologically connected also with point 2 aiming at reducing the percentage of the public sector in the national economy.

In the light of the Finnish experience there are several ways to construct opportunities for private services. One model is that service users pay directly to the provider. The local authority can financially support either the service users or the producers according to set criteria. The service users have responsibility for quality control in both cases. Another model is that a municipality buys a certain service from a private producer according to their mutual contract. In this case the municipality is responsible for quality. There are several examples also of such a model in which one municipality makes a contract with a provider and sells the service to some other municipalities. In this model there is only one contract between the public and private bodies but there can be other contracts between municipalities.

One model for production of welfare services is the old one in which municipalities co-operate in terms of incorporating a common organisation called a federation of municipalities, which has its own government and other administrative arrangements. In this model an individual municipality has relatively little space for decision-making because it has to adapt to collective decisions. However, a federation of municipalities can either produce services by itself or have a role of purchaser and buy services from providers. In both cases municipalities pay. Municipalities can also outsource services they are responsible for. For example the City of Kuopio has outsourced all substance abuse services together with some surrounding municipalities with some NGOs by establishing a special foundation for common use in this area. Municipalities can also establish their own spin-off enterprises for production of services. The spin-off enterprises as well as other units of municipalities can compete against other providers by making their own propositions.

A concept analysis of privatization is needed both for academic reasons and for needs of practice. There is confusion in the use of some concepts like privatization, outsourcing, spin-off, and enterprise establishment. There are several kinds of co-operation between municipalities but also variations in the relations between municipalities, service users and private service providers. Several municipalities can have a common service producer who sells to all of them according to common criteria but also one municipality can administer a certain suite with several providers and sell the services to other municipalities. It also brings variation into privatization that there are different kinds of providers - enterprises, foundations, Non-Governmental Organisations (NGOs) and others. In all cases social workers' expertise is used in quality definitions and control.

Privatization in different areas of social services

Generally speaking there are a number of different reasons for the increase of the expense of social and health services in the first decade of the 21st century in Finland. The following grounds are important in this:

1. The growth of needs in the population has increased demands for services by increasing the volume of service users. This is connected with the changes in population structure (aging of population, immigration) and social problems generally (increasing need for child protection, increase of social and psychosocial problems)

2. Improvement of quality, especially development of technology and pharmacy in the area of special medical care has increased the costs but also in social services the aspiration to improve the quality of services influences on the costs.
3. Reforms in legislation have brought new responsibilities to municipalities which has increased the costs of services.

In Finland, the expense of social and health sector in budgets of municipalities is altogether over 14 billion Euros. This is a big business and a big market. In individual municipalities the budget of the social and health sector is over 60 % of the expense of all their expenses. The percentage of social and health services is more than a half of the total budget of the social and health sector. Special medical care is about 40 % and social assistance to people's living costs 5–10 %. The causes as well as the amount of the increase of the expense vary between these three areas. There are also differences in the development of the costs between individual areas of social care services.

The following table shows the change of the amount of private care services in the main fields of social care in Finland (Table 1).

Table 1. Private social care units according to the main field of their provision 2000 and 2006 (Stakes 2007; see also Rissanen et al. 2009)

| | 2000 | 2006 | Change 2000 – 2006 (%) | From 2006 | |
|--|------|------|------------------------------|---|-----------------------------|
| | | | | NGOs, founda- tions and others (non for profit) | Enterprises (for profit) |
| Institutions for children and young people | 259 | 545 | 110 | 77 | 468 |
| Institutional care for disabled people | 8 | 8 | 0 | 6 | 2 |
| Institutional care for the aged | 53 | 44 | -17 | 34 | 10 |
| Welfare for substance abusers | 39 | 54 | 38 | 43 | 11 |
| Sheltered housing and group homes | 1042 | 1400 | 34 | 655 | 745 |
| Mother- and- baby homes and shelters | 21 | 28 | 33 | 27 | 1 |
| Other institutions and residential care units | 112 | 161 | 44 | 136 | 25 |
| Children's day care centers | 609 | 655 | 8 | 388 | 267 |
| Other day care activities for children | 59 | 94 | 59 | 84 | 10 |
| Home-help services | 353 | 530 | 50 | 96 | 434 |
| Sheltered work and vocational rehabilitation | 39 | 66 | 69 | 61 | 5 |
| Community based rehabilitation for substance abusers | 23 | 32 | 39 | 30 | 2 |

| | | | | | |
|---------------------------------|------|------|-----|------|------|
| Other activities in social care | 47 | 109 | 132 | 71 | 38 |
| In Total | 2664 | 3726 | 40 | 1708 | 2018 |

According to statistics the amount of private social care units have been increased especially in the fields of residential care for children and young people (+110 %), vocational rehabilitation (+ 69 %), children's day care centers (+ 59 %) and home-help services (+ 50 %). There has been a remarkable growth also in other fields of residential care and services for substance abusers. The total growth of privatization in terms of the amount of private service units was 40 % between the years 2000 and 2006. The growth of the amount of private units has continued steadily to increase after the year 2006. In 2008 there were 4064 units showing a growth of 9 % in the amount of units from 2006 to 2008. In this period the units have also become bigger which complicates estimates of the growth. In general there are a little bit more so-called profit than not-for-profit organizations but this distinction does not any more play an important role because the traditionally non-profit organizations are obliged, in practice, to follow the rules of business economy and compete with profit-orientated enterprises.

The majority (84 %) of care enterprises in Finland have been owned by women during the first decade of the 21st century and the owner-managers' educational background is mostly in social and health care (Rissanen et al. 2009). The structures and forms of privatization as well as its consequences for the welfare system and social work may be somehow different in Finland in comparison to other European countries. At the European level, the trend of privatization has been widespread especially in elderly care and in residential child care (Francis, Kendrick & Pösö, 2007). In Finland private organizations may not play as important a role in elderly care as in many other European countries but the growth of private units in residential child care has been extremely strong in Finland.

In the city of Kuopio, 2/3 of residential care services are purchased from private service producers. The amount and models of privatization of welfare services vary municipality by municipality. The following table shows the amount of outsourced services in City of Kuopio in the years 2008 and 2009 (Table 2).

Figure 2. Percentage of outsourced social and health services in the City of Kuopio in 2008 and 2009 (City of Kuopio 2009)

| | 2008 | | 2009 | |
|--------------------------------|----------------|--------------------|----------------|--------------------|
| | Own Production | Purchase Agreement | Own Production | Purchase agreement |
| Home care and residential care | 82.3 % | 17.7 % | 81.2 % | 18.8 % |
| Outpatient care | 72.1 % | 27.9 % | 72.0 % | 28.0 % |
| Social work | 45.1 % | 54.9 % | 43.3 % | 56.7 % |
| Administration Unit | 98.2 % | 1.8 % | 93.9 % | 6.1 |

In the area of social work, as an administrative department and a special economic area in the City budget, elderly care and child protection especially play economically an important role as well as social assistance for people's living costs and the services for substance abusers which have been out-sourced by the City Kuopio in terms of a foundation. There are also several legislative tasks of social work which, by law, must be fulfilled by civil authorities. This means that the local authority cannot totally privatize the social work area.

Mechanisms of competition tendering

Along with the trend of privatization the municipalities have been obliged to develop mechanisms of competition tendering according to the new competition tendering law required by the European Commission. From the point of view of municipalities the aim is to have economic advantage of the process on competition tendering in which the service providers compete amongst themselves in quality and price of services. This ideology is taken from the principles of market economy according to which competition makes the products and prices available at a suitable level. Until now this does not really work in the fields of welfare service trade because the markets are not yet well developed. Because of this the providers can keep relatively high prices.

A good reason to keep their own service production is the fact that it enables municipalities to be aware of the real price level. It also gives the basis for definitions of the quality criteria and control of quality of the services produced by enterprises and other private organizations. In competitive bidding the criteria of quality being taken into consideration in the decision making must be defined carefully in detail. This allows removal of any propositions in the bid not qualified in terms of all issued criteria. For example in the area of housing services the purchaser must set tens of criteria of quality concerning the attributes of both housing and the staff. In any case it is very difficult to compare quotations on the basis of price-earnings ratio.

Purchasers must inform providers in detail about the criteria according to which the propositions will be evaluated and how much different attributes contribute points towards the overall decision. When all providers meet all issued criteria the price of the services will be in an important role but still variations of quality have to be taken into consideration. There are first so called minimum quality standards and second a system of extra quality points which municipalities have to be able to define in the frame of the competitive bidding. This is a demanding new task for municipalities and there are no calculations how much it costs in terms of work time. Many municipalities have established a special administrative unit for preparation of competitive biddings.

All documents of competition tendering become unrestricted after decision-making and the providers can make reclamation if the municipality has not followed the rules of the competitive bidding defined by it itself. There are two big problems if the criteria of the competitive bidding and decision-making are very loose. First, it brings sundry providers into the picture. Second, it predisposes to complaints and reclamations. The importance of management is emphasized as well as among purchasers and providers in the processes of competition tendering.

Thus, municipalities as purchasers have an absolute say in defining the criteria of quality of services. They are also responsible for control of quality. In the area of social services the expertise of social workers is often used for preparation of the quality criteria. Social workers also play an important role in the quality control.

Purchase agreements are usually made for three years and it is possible to revoke the contract if the service producer does not fulfill adequately the promised criteria. Also for this reason it is important to define the criteria exactly. All in all, the processes of decision-making and control of quality in service production based on agreements between municipalities and private service providers are very complex and the importance of careful preparation of competitive biddings play a decisive role.

The future of privatization and its impacts to social work

The Finnish political climate supports the development of private social care services and most of the owner-managers have a very optimistic view of the future (Rissanen et al. 2009). But the future of private enterprises depends above all on purchasers, i.e. municipalities. They will continue buying private care services only if they have the economic advantage of them. This advantage is very difficult to prove. The development of the costs of private social care services cannot be anticipated by municipalities in detail which makes it difficult to plan the municipal economy. For example the City of Kuopio reserves in the budget of the social and health sector 2 % for growth but the private providers can suggest more than 10 % increase of prices. It is hard to reconcile these different interests.

New information technology promotes privatization of welfare services because it enables greater scrutiny and management of the complexity and outsourcing of different types of activities (Nordberg 2006). The management and quality of what is purchased can be developed by municipalities with the help of technology. It is expected that the strategies of New Public Management will strengthen the tendency of privatization in the public sector, also in social and health care services.

The local small-business companies can survive through collaboration but it is expected that in the future, according to the mechanisms of free market economy, the big companies will swallow up the small ones. There are already a large number of examples of this trend in health care in which the big national and multinational companies have increasingly excluded small ones. The position of small private companies is demanding in the social care markets and they seem to be in need to be supported somehow against the large companies (Hujala & Rissanen 2006). Obviously national and multinational enterprises will take part increasingly in the market of social care services in both Finland and worldwide.

In spite of the tendency of privatization it is also expected in Finland that in the future, municipalities will have responsibility for adequacy and quality of social care services. Obviously municipalities are going to follow the welfare mix model in which they both maintain their own service production and make deals with private providers. This ensures that providers cannot easily overprice

their products and downplay the quality criteria. In any case municipalities need a functional organization for management of competition tendering and quality control. Social workers employed by municipalities will play a very important role therein.

Impact on social work

It has been found that educated social workers are not active in starting up their own businesses and that the amount of social workers as owner-managers of enterprises is much less than for example medical doctors and nurses (Rissanen et al. 2009). The main reason for this may be the Finnish tradition of social work in which social work is seen as a public institution managed by local authorities. Of course it is a loss to social work if it loses a foothold in service production. But on the other side it can have a new position and role of expertise in defining the quality standards for services.

Privatization brings a new kind of need for case/care management because it makes the service system more complex; in some countries it has promoted social workers to become managers in the private care sector and non-governmental organizations, and it seems to raise the question of financing and professional qualifications of social work (Rissanen & Sinkkonen 2005). Thus it opens new professional fields for social workers with a new kind of tensions. Many service users need to be informed about the alternatives. Companies advertise their services to potential service users but the municipalities have also a legislative responsibility for informing people about the alternatives. In many cases social workers are key persons therein.

There are no signs of decrease in social and psychosocial problems in society, more vice versa. The needs of populations are skewed toward problems in well-being and different welfare and health risks. Especially needs for elderly care, child protection and psychiatric care tend to increase. It seems to be a fact that the expense of welfare services increase more strongly than the level of needs in population. Social care is primarily based on human labor. Therefore, the costs of production will remain at the same level as they are but the amount of services will increase in the future because the needs will increase as well. It is likely that the trend of privatization will be strengthened in the fields of social work for this reason.

It is rather difficult to anticipate the consequences of privatization to social work in Finland. Some issues in terms of conclusions can be mentioned. Firstly, in spite of the tendency to privatize a part of social care services it is expected that most of the Finnish social workers will remain in a position of civil servants being employed by municipalities, fulfilling the statutory duties of municipalities to guarantee people's social and civil rights, and exercising the public power fixed by law. Secondly, because of the boom of privatization social workers are increasingly expected to have a new kind of expertise in terms of defining quality criteria and controlling the quality of private social services.

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