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The Future of the Scandinavian Welfare Model: User Choice, Parallel Governance Systems, and Active Citizenship

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Introduction

In this concluding chapter, we summarise and discuss the main findings regarding national and EU regulation of welfare services and welfare governance in municipalities and institutions, as well as the impact of these factors on active citizenship. More precisely, we focus on four questions: (1) What are the main similarities and differences between Denmark, Norway, and Sweden? (2) What are the conditions for active citizenship—here defined as choice, empowerment, and participation? (3) Does institutional sector matter for the users? (4) What are the consequences of user choice and other forms of market-emulating

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regulation? Finally, we discuss the consequences of recent developments in Scandinavian welfare policies for the so-called Scandinavian welfare model: Where are Scandinavian welfare policies heading?

The Three Countries Compared

When we compare the countries, service areas and economic sectors, we generally find that the users in the Danish school system are more empowered and have access to better systems for participation in decision-making. This has to do with the combination of long traditions of the free school system in Denmark, few legal restrictions on the content of the teaching, and the parents' rights to establish new schools. The users and the administrative system have clear and coherent expectations of 'self-owning institutions' to such an extent that the new type of private kindergartens and 'independent nursing homes', which may take out profit, so far tend to operate in a similar way to the traditional free schools.

Whereas the importance of the nonprofit sector in Denmark constitutes a stable element, Scandinavian welfare provision is also changing. The role of user choice is increasing. In Sweden, this has been combined with increased involvement of for-profit service providers. This has resulted in a strong growth and concentration of ownership in a small number of welfare conglomerates partly owned by international venture capitalists. The large Swedish conglomerates appear to use their financial foundations to gain shares also in the emerging welfare markets in Denmark and Norway (Herning 2015). Moreover, some of them have established businesses also in the UK and other European countries.

The case of Denmark nevertheless illustrates that a relatively strong nonprofit welfare provision is possible within a Scandinavian welfare model, and this has dampened the commercialisation process to some extent. The long-standing tradition for independent nonprofit schools in Denmark points to the importance of path dependency. The strength of the nonprofit sector in Denmark has been conducive to a strong political support across party lines. In contrast, the marginal nonprofit sector in Sweden has not been able to muster much political support. In this respect, Norway occupies a middle position between Denmark and Sweden.

However, none of the Scandinavian countries seem to have a recipe for how to create growth in the nonprofit welfare sector in combination with increasing user choice and other market-emulating tools of governance. Norway has succeeded in keeping up the nonprofit share in a rapidly expanding welfare service sector through prioritising nonprofit in certain service areas, using contracts without termination dates, and invitations to tenders and closed negotiations for nonprofit. This option, however, is now being questioned.

In all three countries, public-sector procurement comes within regulations at the European level. The Norwegian authorities have cast doubt on the possibility of maintaining such exceptions for nonprofit actors after the implementation of the EU's revised Public Procurement Directive in national laws in 2016.¹ However, as Seggaard and Saglie argue in Chap. 3, it appears that each individual country still will be able to use discretion to organise its welfare mix, taking its cultural context into consideration. Although the EU regulations constitute an important framework for national policymaking, the intention is not to standardise the welfare mix but, rather, to create competition between providers from different countries where there are potential markets. However, social, health, and educational services are considered by the EU directive to be linked to different cultural traditions and have a limited cross-border dimension. Differences between countries may thus be maintained within regulations at the European level. However, the question is how the Scandinavian countries approach and utilise this latitude. Some Scandinavian politicians and administrators appear to endorse a stronger 'competition fundamentalism' than the EU itself does.

The Conditions for Active Citizenship

We have used the concept of 'active citizenship', defined as choice, empowerment, and participation, in our qualitative case studies, in order to measure aspects of users' experiences with welfare services. This approach emphasises what the citizens can do when they are not satisfied with their current situation. Do they have a real opportunity to choose a welfare provider with a desired profile or to change to another provider if

they are not satisfied? Can they influence their own situation at the institution through individual, day-to-day contact with staff or through participation in user boards? Is there participation in municipal decision-making, either through representatives or mediated by civil society organisations? The active citizenship approach focuses on dimensions that enable users to deal with quality problems in relation to the staff, and the administrators, and local politicians at the municipal level. Our findings indicate that administrative systems, real opportunities for choice, and participative structures matter for active citizenship. These are aspects of the welfare system that policymakers may change through normal tools of governance.

The combined insight from the case studies reported in Chaps. 4–6 is that we find the best conditions for active citizenship when there is a real opportunity for users to choose between institutions, and the service providers have room to create distinctive services. This situation typically occurs when there is a right to establish new service institutions, depending on approval on the national level rather than tight regulation at the local level. There must also be some excess capacity in the welfare system to create flexibility between the public and private providers. Active citizenship is less likely to occur when the municipality assigns users to the different institutions, there is insufficient capacity, and public regulation allows little room for distinctiveness. Then the users tend to be more passive both when it comes to seeking adaptation to their particular needs and in participation in decision-making at the institutional level. The power is shifted from the users to the service providers.

These conditions for active citizenship have more to do with regulation, funding, and norms than with whether the providers belong to the public, for-profit, or nonprofit sector. However, the distinctiveness of services and empowerment of users through formal arenas is most prominent in nonprofit service providers, to the extent that they have operative autonomy from public regulation and external owners with privileged steering rights.

The comparative case studies in schools and nursing homes presented in Chaps. 4–6 show that there are considerable differences between the two service areas with regard to active citizenship. As we elaborate below, two key features are decisive for explaining similarities between nursing

homes as well as variations between schools: the user choice enjoyed by the citizens and the level of operative autonomy enjoyed by the institutions. The consistency of this finding across countries and service areas suggests that the importance of these mechanisms have a general scope that may apply also to other service areas and welfare contexts.

In no nursing home in this study did users find that they had the power to demand changes based on an opportunity to exit the institution. Moreover, there are no differences between the nursing homes stemming from their institutional sectors. The fragility of some elderly care users makes it difficult to envision that the benefit of user choice is the same for all groups. In a study based on Swedish data, Meinow et al. (2011) concluded that ‘those elderly people who are most dependent on care services and who could benefit most from a “good choice”, are also those who have the highest prevalence of cognitive and physical limitations associated with the capacity to act as a rational consumer of care services’. This implies that choice mostly benefits the ones who need it the least. Differences in elderly care may thereby increase, since the ones who are weakest and least able to formulate their wishes do not enjoy the benefits from a choice opportunity. To compensate for this and avoid service failures and breaches of human rights that have been documented in elderly care (Norwegian Centre for Human Rights 2014), it is important to involve relatives, institutional boards, and user organisations to play the role of an active citizen on behalf of the frail elderly.

In contrast, we found both a stronger element of user choice and more variation between institutional sectors in schools. All three countries have, in principle, some level of user choice. In all instances, nonprofit schools were distinctive from the public option and thus represented a broadening of the profile of services offered. In Sweden, for-profit schools are to a lesser degree different, and their lack of an alternative vision is explicitly explained through the non-ideological status of the for-profits. However, the for-profits seem to contribute more than the nonprofit in stimulating competition between schools. This is the only place where parents report they can use the possibility to exit as a bargaining chip with the schools. In Denmark, nonprofit schools and public schools do experience competition, but students do not threaten to change schools. This point about for-profit schools must be qualified, however, since

for-profit schools are only found in Sweden. There is thus a possibility that specific institutional factors operating in the Swedish context interact with factors related to the institutional sector of the for-profit schools to produce this effect.

Both schools and nursing homes are mainly financed and regulated by the government; and yet, there are differences in terms of how much freedom the providers have. In the school sector, non-public schools are regulated at the national level, while nursing homes are contracted to municipalities. The latter contracts are given after a public tender or are part of long-standing frame arrangements whereby municipalities have ample room to intervene in detailed aspects of their operations. This gives nonprofit schools more room to set their own goals, establish their own unique organisation, and allocate their resources as they wish. This also gives them the opportunity to create distinctive services and involve users in them to a greater extent. The combination of user choice and administrative freedom is important for nonprofit schools, since students who attend non-public schools actively seek to join them, something that makes their distinct operation possible.

Does Institutional Sector Matter?

There is reason to believe that the nonprofit have an advantage in provision of welfare services, because they have less incentive to use the information asymmetry to their own advantage (Hansmann 1987). In addition, in voluntary organisations, that own a major part of the nonprofit providers, member-based democracy has been identified as a mechanism that provides autonomy from public and market forces (Eikås and Selle 2002, 52). In a recent publication, Selle (2016) argued that this mechanism has been weakened, which has in turn also weakened nonprofit distinctiveness. However, distinctiveness may still be secured through alternative mechanisms. Many nonprofit nursing homes and schools are organised as foundations without a membership democracy. The statutes have mechanisms for electing board members that are responsible for realising the mission statement, and not just for economically sustainable operation. There also seem to be an ability and willingness on the part of nonprofit

schools to involve users in the governance of the institutions. The distinctiveness of the institutions is the reason why users have chosen them, and they thus look to safeguard this distinctiveness when they are able to influence the operations of the schools. In these cases, users, therefore, function in a comparable manner to members in the above-mentioned studies. At times, users can be both members and users, but by involving stakeholders other than members, nonprofit are able to preserve their distinctiveness. Again, this effect seems dependent on user choice, as user choice is necessary for stakeholders to be sufficiently entrenched in the ideas behind the distinctive profile of the institutions.

These advantages are also recognised by policymakers. For example, an Official Norwegian Report (NOU 2011:11) argued that as society becomes more heterogeneous, welfare sectors will suffer from an increasing lack of labour and more demanding citizens; thus, more diversity in services is needed, especially when it comes to the institutional sector of the providers. The report goes so far as to suggest that by 2025, nonprofit providers should run 25% of the care sector. Although unwilling to support this ambition, the Norwegian government followed up by declaring that user influence, active citizenship, and local democracy will be key features of the future care sector (Report to the Storting (White Paper) nr. 29 2012–2013). In these reports, the connection between service providers, citizenship roles, and services is assumed. However, the mechanisms with the potential to produce the desired outcome received little attention.

The public policy thinking described above reveals faith in the independent importance of institutional sectors. As we have discussed above, the findings in this book suggest that the institutional sector of the provider alone will not produce effects like the ones suggested in the public policy documents. To obtain changes through the strategic use of providers from different institutional sectors, changes in institutional sectors must be combined with other changes to the organisation and governance of the institutions. The substantial differences between service areas demonstrate how looking at the provider alone elucidates only part of the picture. Trættestad (2015) has documented how detachment from public steering, regulation, and financing is what makes the institutional sectors distinct. It is unclear if this distinctiveness will produce

the effects policymakers want, but without distinctiveness, it is difficult to believe that active governance of the welfare mix can achieve anything at all. Providing conditions that enable the distinctive operation of institutions is, therefore, the first step in actively using the welfare mix to obtain societal goals. This has implications for how policymakers approach their steering of the public sector. For a government wishing to reach goals such as social investments in schools (Jenson 2013; Morel et al. 2012) or limiting public expenses in elderly care (Christensen 2012; Brennan et al. 2012) it is natural to increase the level of public steering as a means to reach them. New Public Management may require large administrative resources to make sure that contracts are complied with (Diefenbach 2009). Paradoxically, such public steering undermines the opportunities to develop distinctive services, which is fundamental for reaping some of the benefits of active citizenship.

In addition, Lindén, Fladmoe, and Christensen's analyses in Chap. 7 show that the impact of the institutional sector on user satisfaction is limited. These Norwegian data shows that although there are some differences between the institutional sectors, these differences are very small. In elderly care, there are no differences in user satisfaction in either of the two surveys analysed. In schools, there are some minor differences that disappear after control variables are included. In kindergartens, the users of for-profit institutions are slightly more satisfied after control variables are included. Basically, most users are highly satisfied irrespective of supplier. In elderly care, the finding is consistent with the analysis of Feltenius, showing that the service profiles hardly differ between the sectors because of tight regulation by the municipalities. A high level of satisfaction may be more a result of finally getting a much-needed place than a reflection of the actual quality of the services.

In welfare policymaking, there tends to be a strong focus on measures of user satisfaction but too little analysis of the reasons for satisfaction. User satisfaction is not only related to service quality as such, but may increase with low expectations, lack of alternatives, and even powerlessness. We, therefore, argue that active citizenship dimensions should be brought into research on welfare service quality. By doing so, the results will give clearer advice on which changes are needed to enable users to define and deal with problems in their own situation. This approach is

also in line with welfare goals set in policy documents with broad political support in all the Scandinavian countries. The concept of active citizenship strengthens the analytic approach to service quality measurement as well as the relevance for policymaking.

In the introductory chapter, we discussed the theory of interdependence. According to this theory, providers from different institutional sectors each have their benefits and drawbacks. The welfare field thus functions best if all providers are present in the welfare mix. This explains why all three institutional sectors appear in most welfare fields and countries (Salamon 1987). The Scandinavian nursing home sector has been an outlier in this sense; up until 25 years ago, there were hardly any for-profit nursing homes, and in Sweden there were also few nonprofit (Meagher and Szebehely 2013). This has changed considerably since then, but it looks as if municipalities have not yet been able to reap the potential benefits of a differentiated provider structure for active citizenship. As Feltenius shows in Chap. 4, the municipalities have arguably made some economic and administrative gains from the use of open tenders. Yet, Trætteberg (Chap. 6) finds no such effects for active citizenship, and consequently, there seems to be an unused potential for active citizenship. Furthermore, Lindén, Fladmoe, and Christensen (Chap. 7) find no important differences in user satisfaction between the institutional sectors. The lack of differences between the different providers may be related to the principle of equivalent service quality that is a basic value in the Scandinavian welfare model, but the downside is that it also reduces the possibility for services to be adapted to a more multifaceted and demanding population. A prerequisite for a successful welfare society is the ability to adapt to changing conditions. The possibility to use the welfare mix to develop distinctive service profiles seems to be underutilised in the context of Scandinavian elderly care.

These findings also indicate that under the present system of governance in Scandinavia, there may be an unused potential for interdependence between the non-public providers and the state (Salamon 1987; Steinberg 2006). The lack of available places in nursing homes is not the result of administrative inability to expand the capacity but, rather, the result of economic considerations in a system where the local governments in the end are responsible for financing the development of

new nursing home places within tight budgets. The public administration is also in charge of allocating users to institutions. Under these circumstances, the ability of for-profits to rapidly expand their service is not interesting for the policy makers. The nonprofit ability to cater to niches is also superfluous, as there is no way for users to choose what these niche-oriented providers offer. Competition about public contracts with a focus on costs but with too little emphasis on quality and innovation also gives little room for developing a distinctive profile (Trætterberg and Sivesind 2015). In Sweden and Norway, we have even seen examples of nonprofit organisations that have stopped operating elderly care institutions because they are not able to promote the goals and values set in their mission statements. If nonprofit services do not have room for developing a distinctive character, they cannot fill gaps in the services offered by the public sector (Trætterberg and Sivesind 2015). This underlines the importance of user choice, sufficient capacity, and a minimum of administrative and economic autonomy for distinctive service profiles, which are preconditions for synergies between the institutional sectors. Further empirical research within a Scandinavian context may add robustness to such a conclusion.

Consequences of User Choice and Market Regulation in Scandinavian Welfare Provision

In the introduction to this book, we identify the Scandinavian model with its fundamental ideals, which are public funding and regulation of core welfare services, decentralisation of governance, equal access for all to high-quality services, and adaptation of services to the user's needs and preferences. There is broad political agreement about these goals in all Scandinavian countries, and they appear to be rather stable features. In contrast, there are rapid changes and large differences in how the welfare system is organised between the Scandinavian countries and between the service areas. This is a result of the implementation of different kinds of NPM tools of governance in order to reform the relations between users and public authorities, and between funders (public) and providers

(irrespective of the sector) of welfare services. This has been clearly demonstrated through the chapters of this book, comparing changes in welfare mix (Chap. 2), the legal and institutional contexts (Chap. 3), and governance in the municipalities and service institutions in elderly care and schools (Chaps. 4 and 5). However, the regulation of the welfare service provision is also of critical importance for the promotion of active citizenship, defined as choice, empowerment, and participation (Chap. 6). Nonprofit providers have the potential to cater for special interests, ideologies, and faiths that are not interesting business opportunities for private investors and are unsuitable tasks for the state. When nonprofit do not play a sufficiently big role in a welfare field, these niches are in danger of being ignored because of government focus on producing alternatives acceptable to the majority and for-profits' desire to cover large markets, according to economic theories (Salamon 1987; Steinberg 2006). If the nonprofit sector's share of services offered is too small, there will be demands in the population that are not accommodated by the welfare system. How large a share the nonprofit sector should have depends on the heterogeneity of the population (Weisbrod 1977; Sivesind and Selle 2009).

This should be of particular concern for the Scandinavian countries, where the nonprofit sector has much smaller shares of the welfare employment than in other Western European countries (Salamon and Sokolowski 2016). When the Scandinavian welfare states emerged, the populations were rather homogenous with regards to ethnicity, religion, and language, and hence welfare provided by the state was acceptable to a large majority. The primary objective was equal rights to services of high quality given scarce resources (Kuhnle 1983; Seip 1994). With increasing private wealth, and social and cultural diversity, it may not be sufficient to aim for this goal anymore. A dilemma has emerged between providing services of equal quality to all and adaptation to special needs and particular interests. If the latter is ignored, users may opt out of services funded by the government and consequently be less willing to pay taxes. In other words, the legitimacy of the Scandinavian welfare model depends on finding a critical balance between equivalent service quality and a sufficient diversity in service profiles to keep up support for government-funded services. Not all current welfare governance reforms

are equally suited for this purpose. Something may have to give: the public funding and regulation, equivalent quality, or adaptation to the users' needs and interests. Failing to find the balance between these sometimes contradictory priorities may result in an inability to reach Scandinavian welfare goals that still have broad political support.

This raises the question of whether we are witnessing an unintended change in welfare goals because of reforms of the governance structures. One of the fundamental changes in the Scandinavian welfare model results from the gradual introduction of user choice in more service areas. In Sweden, this development started in the municipalities in the 90s. Reforms in education were followed by more laws and regulations, which have been gradually imposed on different administrative levels and service areas, most recently the Freedom of Choice Act (LOV 2008:962). In Denmark, there has for a long time been a larger share of nonprofit service employment, which represents a broader spectrum of services to choose from in some service areas. Recently, Denmark has also introduced user choice in several service areas and opened up for new legal categories of independent service institutions in the elderly care and kindergartens, which are disconnected from the municipal governance and funded through a kind of voucher system (Thøgersen 2013, 12 and 16–17). Although they may also take out profits, this has so far not resulted in strong growth in the for-profit share of welfare employment in Denmark in contrast to Sweden (see Chap. 2). This is probably because the Danish population is used to—and therefore still prefers—nonprofit providers similar to the free schools and self-owning institutions at the same time as Denmark has nonprofit providers with the capacity and strength to retain their dominant share of the non-public service provision. In Norway, there has been more emphasis on a supply-side model with competition for contracts mostly within the public welfare system, but also between public, nonprofit, and for-profit providers in some service areas. However, recent legal changes in health, psychiatry, and drug and alcohol addiction treatment imply a shift towards a demand-based model also in Norway (LOV-2016-06-17-48), although on a very limited scale so far. Nonetheless, there is sufficient determination behind these initiatives to potentially produce broad changes over time. In line with global NPM trends, an administrative separation

between public purchasers and service providers was introduced in Scandinavia in the 80s and early 90s, creating a supply-based system with tender competition. A logical next step is to develop a demand-based model with user choice, simplified rules for the establishment of private service units, and funding per user.

As a result, more weight is put on individual responsibility for choosing services with the suitable profile and quality and less weight on the government's responsibility for providing equivalent services for all. The consequences could be that the government, also in the Scandinavian countries, assumes a role of 'proactive architect' and coordinator of the welfare provided by the state, the market, the third sector, and by the family and communities (Evers and Guillemard 2013). This emerging citizenship regime relies more on the autonomy of individuals and their capacity to make their own decisions, and it strengthens social rights and responsibilities.

However, to give more power over the profile of welfare services to citizens means reducing the power of public administrators and politicians. When users have increased influence over services, they must also take more responsibility for how the content of welfare functions. Verhoeven and Tonkens (2013) showed that the British government attempts to encourage citizens to take more responsibility for services by emphasising its empowering effects, while in the Netherlands, the emphasis is placed on the duties and responsibilities of citizens. In Chap. 6, Trætterberg takes the perspective of citizens, not governments, and the findings indicate that both experiences exist in the Scandinavian welfare regime. In schools, parents feel empowered and in control when the state reduces its level of control; in nursing homes, users find themselves disempowered. In the first case, users feel they can decide the content of the service; in the second, they feel obliged to take an undue responsibility for the service. In much of the research literature, inequality is regarded as the most likely drawback if power is transferred to individuals (Rothstein 1998, 31–32). Our research does not contradict this point but identifies powerlessness and the burden shift as other possible negative side effects (Trætterberg 2016).

Although user choice gets an increasingly broad implementation in Scandinavia, this is not in principle new to the social democratic regime.

The justification for user choice is and has been to move power from public employees and to the users. This is because frontline service providers need to have room to exercise their professional discretion and decide what measures are suitable in a concrete case for welfare institutions to function. It is then an open question if the outcome that the users experience in fact is related to what has been decided by democratically elected assemblies. This is where the ‘black hole of democracy’ occurs, according to Blomqvist and Rothstein (2008, 16). The parliament, and regional and local governments, have very limited influence over the shaping of the welfare policy citizens and users in practice meet. The solution, Blomqvist and Rothstein claim, is to let them reject service providers they dislike. There is a potential for improving the democratic rights to fair and equal treatment through user choice.

Recently, the distance between democratic decisions and shaping of services may have increased even further. Provision has to a larger extent been decoupled from the political decision-making through decentralisation and outsourcing, in line with NPM ideals. Instead, citizens and users of welfare services are invited to take part in the evaluation of these services, in consultative arrangements and in limited development projects. Historically, the dominant means for citizen involvement have shifted from popular movements in the formative face of the welfare state, through frontline service providers or street-level bureaucrats (Lipsky 1980), towards participation in ‘user democracy’ and consultative arrangements. The forms of involvement are to a large extent defined by the operators of decentralised or even subcontracted services. Moreover, the citizen participation is shifting to an ever lower administrative level, from national, through municipal, to the organisational level.

If this is the case, the ‘black hole of democracy’ has grown wider, and influence through user choice or consultative arrangements may be more important than ever. Will this challenge the Scandinavian welfare model? Not necessarily, Bo Rothstein argues, based on a historical analysis. One of the main intentions of social democratic policies was to give people autonomy and a right to choose how to use the resources made available to them by the welfare system. For example, the preference for universal rights and monetary allowances over means testing and material support is a result of this (Rothstein 1998). The broader implementation of user

choice thus does not in itself contradict the ideals behind the social democratic model.

The question is what will happen if the broader implementation of user choice is combined with increased competition for market shares between service providers. For-profit providers have the fastest growth in Sweden, while the changes in Norway and Denmark are more moderate. This is a result of increased use of open tenders and other market-emulating forms of governance, in particular in social services. In Sweden, this development has been much faster because the system of user choice is combined with the free right to the establishment of new service units depending on approval by national agencies enforcing general guidelines. Furthermore, there are no limits on transfer of profit. The purpose of this system is to create competition between the providers of services funded by the government and thereby stimulate quality development. In some service areas, there is also competition on prices, as in elderly care. The tender documents may specify the relative weight that should be put on quality and price. However, studies show that it has been difficult to make these quasi-markets function according to the intentions. There is no clear indication that increased competition has created more efficient services (Hartman 2011; Hood and Dixon 2015; Helby Petersen and Hjelmar 2013; Helby Petersen et al. 2014). The larger differences between high-performing and low-performing students in Swedish results from the PISA tests (Böhlmark and Holmlund 2012), which we discussed in the introduction, may indicate that there are quality issues as well. Such unintended consequences may occur because of double selection effects: Private institutions may prefer to establish themselves in neighbourhoods with a high socio-economic status.² In addition, users with more education and cultural capital may be more selective. Furthermore, in many types of services it is, in practice, complicated to change provider if one is not satisfied. The users do not always have the competence to evaluate information that is complex and difficult to measure. They can hardly fulfil their indispensable role of assuring quality and promoting innovation in systems of user choice that expand in the welfare services (Hartman 2011).

In addition, private ownership of Swedish and Norwegian welfare services tends to be concentrated in a few conglomerates. Marketization of

Scandinavian welfare may gradually pull back a public welfare monopoly only to give way to a private oligopoly consisting of a few for-profit conglomerates competing for market shares. According to standard economic models, oligopolies have the potential power to determine prices and to squeeze out smaller competitors and nonprofit with less access to capital (Perloff 2007). Effective markets in such situations may require strong regulation. The reality in Scandinavian welfare services is very different from the theoretical model for quasi-markets, which presupposes easy access to the market for smaller units while those who do not provide good enough service are effectively put out of business (Le Grand 2007). However, the priority of the Scandinavian governments seems to be more on getting the private share up than to establish regulation that structures the ownership in a way that promotes competition.

Competition between providers may have positive effects on service production. As Feltenius shows in Chap. 4, a mix of welfare providers makes it possible to compare providers in terms of costs and quality. Private providers may be useful for benchmarking, seen from the perspective of the municipal administration. From the perspective of the user, competition provides alternatives to choose from. However, these alternatives do not necessarily have distinct profiles, and there is a reason to ask whether a choice between similar alternatives provides the kind of freedom of choice that is necessary to sustain the legitimacy of the Scandinavian welfare model. As we have seen, nonprofit providers seem to have a greater potential to offer distinct alternatives—even though this potential is not always realised under the present administrative regime. A substantial nonprofit sector is not a sufficient condition for distinctive service profiles to choose from, but may be a necessary one.

In current welfare debates, there is not enough consciousness about the consequences of changes in governance for the mix of providers in publicly funded welfare services. The question is whether the services should be operated by the public sector or the private sector. The solution is often to use economic incentives to increase the private share. An underlying assumption, based on economic theories, seems to be that if all providers have equal conditions, the needs in the population will be met in the most efficient manner coordinated through market mechanisms. We find, however, that in the case of the nonprofit welfare

providers, this may not be the case. If they are put under too strong pressure by market mechanisms, they may become too similar to the for-profit providers (Salamon 2012). In addition, they may not respond to market opportunities by expanding operations as the for-profit providers do. This is because nonprofit providers have stakeholders that are not interested in growth if it fails to realise the mission statement of the organisation. The specific conditions of the nonprofit providers, therefore, need special attention to ensure a certain share of the welfare employment.

Two fundamental questions are, therefore, how the nonprofit can get resources to expand at a rate comparable to the commercial companies, and how they can do so without losing their distinctive features. If there should be any chance for the nonprofit to have any systemic effects on the welfare provision, the economic and institutional contexts must promote nonprofit welfare entrepreneurs with resources to take risks and expand in several service areas. This will reduce their dependency on single markets and key funding institutions. Unless this happens, the current development towards user choice in more service areas will result in growth only in the for-profit sector. This is a lesson we can learn from the analysis in Chap. 2 of the changes in the employment shares in service areas with open tenders or user choice in Norway and Sweden. There is a clear tendency that when commercial incentives are introduced, it is the for-profit sector that increases. The challenge for the Scandinavian welfare system is how to continue increasing user choice while also regulating the welfare mix. The risk is that the third sector in Scandinavia will not have strength to play its distinctive role by complementing the services of the state and the business sector. The nonprofit sector in the Scandinavian countries has a much weaker institutional foundation than in other countries with advanced welfare systems, as we saw in Chap. 2. Because of the nonprofit welfare sector's small size and weaker historical role, it is also difficult to get political understanding and support for improving frame conditions that will allow it to expand.

In Chap. 3, Seggaard and Saglie show that there are parallel systems of governance that may be used to regulate welfare mix in the Scandinavian countries. Service concessions are used in education in Norway and

Denmark with a requirement for getting public funding that there can be no transfer of profit to private owners. This promotes nonprofit alternatives to the public schools in contrast to the development in Sweden. Another example is Danish municipalities that use in-house contracts with self-owning, nonprofit institutions in certain policy areas like nursing homes.³ This limits their freedom of operation. They get all the users assigned by the municipality and cannot operate in a market at the same time. However, that would be the situation for many of them anyway. It is difficult to develop a distinctive profile when there is too tight steering by the municipality. However, this is no different from what we see in the regulation of non-public welfare provision in general: a certain level of operative autonomy is a precondition for a distinctive service profile.

A third example of parallel governance systems is the Swedish Freedom of Choice Act (LOV 2008:962), which is an alternative to the Public Procurement Act (LOU 2007:1091). However, as we saw in Chap. 2, the LOV-system with built-in economic incentives results in growth only in the for-profit sector, so it is not suited to secure a balanced development of the welfare mix. However, it could be possible to give the nonprofit sector a stronger position within the system for user choice, as suggested in a recent Swedish Government Inquiry (Swedish Government Inquiries SOU 2016:78).

Even the new EU directive for public procurement allows parallel governance systems. It even suggests that the member states establish a separate system for contracting in education, health, and social services. Because services to individuals are highly dependent on the cultural context, there is little potential for cross-border competition. The member states have the opportunity to give funding without using competitive tenders, as long as there are transparency and equal conditions. The EU directive even allows giving contracts to new nonprofit service providers in these service areas for a 3-year period without competition. The UK has already established a Light Touch Regime with guidelines for how to implement these new directives. The Scandinavian countries are now in the process of implementing provisions to their new laws within the framework of the new EU directives for public procurement and service concessions. It is too early to tell how this may

affect the composition of welfare service providers. However, these examples illustrate that there are several possibilities for establishing parallel systems of governance that can be used to regulate the welfare mix within a Scandinavian welfare model. The question is whether these opportunities will be used, or if the priority is on promoting competition on equal terms in the welfare services.

Scenarios of the Future for the Scandinavian Welfare Model

Our study shows that different tools of governance have been used in the Scandinavian countries and in the various service areas. We can use this natural experiment to outline some possible future scenarios or at least some development trends. There are lessons to be learnt from the divergent Swedish development of the welfare provider mix, resulting from user choice in combination with open tenders or free rights to establishment—with no restrictions on transfer of profits. When such commercial incentives are implemented and there are no parallel governance systems, there will be growth in the for-profit sector and nonprofit stagnation (See Chap. 2). Some would say that this shows that there is no market for nonprofit services in Sweden. However, our findings indicate that the nonprofit sector needs special conditions to grow, in particular when it is small and has a weak institutional footing as in Sweden. The downside of a too small nonprofit sector is that there will be unmet needs in the population for services with certain distinctive profiles.

Here we see two possible scenarios for the Scandinavian welfare model. One possible development is to let market mechanisms decide which services will be provided. We can call it the ‘Swedish model’ for simplicity. This means using market-emulating tools of governance such as open tenders or user choice with some kind of voucher system where money follows the users. It is combined with free right to establish new service units pending public approval according to general regulation, and no restrictions on transfer of profit. The users get the critical role of

selecting which services will survive. The consequences will be a growing supply of for-profit welfare and decline in the public sector in areas where there are profitable market opportunities, as we saw in Chap. 2. In a Scandinavian context where there is a lack of nonprofit welfare entrepreneurs with a strong economic underpinning, the third sector will not grow under such circumstances. In the USA, the nonprofit sector has increased through market competition; however, the distinctiveness of the sector has suffered under such circumstances (Salamon 2012).

The alternative scenario is to create parallel governance systems. For simplicity, we can call it the ‘Danish model’. User choice and market-emulating tools of governance are combined with service concessions and in-house contracts for nonprofit welfare institutions. In addition, the establishment of new nonprofit welfare entrepreneurs is encouraged by reserved service contracts for a limited period as the EU’s public procurement directive allows (article 77, Directive 2014/24/EU), or by giving nonprofit organisations public support or loan guarantees to expand service provision in areas where there are increasing demands. In this way, it is possible to compensate for some of the growth disadvantages the nonprofit organisations have because they cannot raise capital from investors by issuing stocks.

How large a share the nonprofit sector should have in different welfare service areas is a political question that depends on striking a balance between different welfare goals. In some areas, the priority may be on equivalent services for all. Some would argue that the government must be able to regulate the school system to promote integration and equal opportunities. However, since parents are legally responsible for the education of their children, they must have some power to decide. In line with basic human rights, the public system cannot be totalitarian. The priorities are different in elderly care, where it is difficult to see that more diverse service profiles would be in contradiction with other political goals. It may be more a question of costs containment, quality assurance, and what is practically possible to arrange for. Many Scandinavian local communities are too small for several alternatives with different profiles that the population can choose from.

We have presented several arguments for promoting the nonprofit sector’s role in Scandinavia. The sector already has a very small share of

the welfare service employment. This limits its potential to fill niches in areas where there are no interesting market opportunities and no suitable tasks for the public sector. If there is less diversity of services offered to the users, certain demands in the population will be unsatisfied. As Scandinavian societies become more socially and culturally heterogeneous, distinctive alternatives to choose from are also important for the legitimacy of a welfare model funded by taxes. In addition, a small nonprofit sector also limits its potential as a corrective to the for-profit services in areas with information asymmetry between users and service providers. It also limits the potential for innovation in reducing inequality and solving common problems in society, promoted by stakeholders that are dedicated to a mission statement and the common good and have other priorities than profits. Finally, our case studies indicate that the nonprofit welfare providers may promote active citizenship when given adequate frame conditions and government regulations. A certain share of nonprofit sector welfare employment would therefore be important for balancing the Scandinavian welfare goals within an increasing system of user choice. However, this is not what is happening in Sweden, with growth only in the for-profit sector. The Danish case shows that with parallel governance systems it has been possible to regulate the share of nonprofit and for-profit providers under such conditions. These choices are important for the ability to reach the defining welfare goals within a system where core services are funded by the government and, consequently, for the existence of a Scandinavian welfare model in the future.

Notes

1. Directive 2014/24/EU, 114 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0024>.
2. See data regarding the location of private schools in Sweden: <https://ekonomistas.se/2014/03/14/var-finns-friskolorna/>.
3. According to the EU, this is not public procurement and thus not regulated by the directive for service concessions, see article 17, Directive 2014/23/EU.

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