

# WELFARE VERSUS MARKET LOGICS: PUBLIC PROCUREMENT OF SOCIAL SERVICES IN THE NORDIC COUNTRIES

A CASE STUDY OF PURCHASES OF SUBSTANCE USE RELATED CARE

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REFERENCE: STENIUS, K. & STORBJÖRK, J. BALANCING WELFARE AND MARKET LOGICS:  
PROCUREMENT REGULATIONS FOR SOCIAL AND HEALTH SERVICES IN FOUR NORDIC WELFARE  
STATES. *NORDIC STUDIES ON ALCOHOL AND DRUGS* (FORTHCOMING)

# BACKGROUND

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- 30 years of increasing challenges for the Nordic welfare state:
  - rising costs
  - increasing social inequalities
  - increasing impact of market influenced steering

# TWO LOGICS

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- The welfare state model

Service goals: Social security and social peace, equality, participation.  
BROAD

Production: Societal responsibility for treatment and care, with public sector production complemented by non- and for-profit providers (corporative model)

Funding: Taxes

Steering: Political (state or municipalities)

The market model

Service goals: Cost efficient services of good quality. NARROW

Production: Private companies competing on the market best producers of services

Funding: Taxes

Steering: Public sector purchasers through contracts, or informed citizens choosing (certified) providers

# PUBLIC PROCUREMENT

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- Steering with contracts. Implemented from ca 1990
- EU-directives from 2004: free cross-border competition also for services
- National versions of directives; from 2016 more freedom in choice of procurement model in social and health care
- “In health care and social services there is often only limited cross-border interest. The arrangements of service production must take into account national traditions and organisational features. For these reasons countries are given more liberty” Higher threshold for strict procurement, many possible models
- Laws on/regulations of public procurement are statutes regulating the relations between purchasers and providers. These laws amount to procedural legislation, which aims at ensuring a fair and consistent application of the procurement\_procedure. They are *not* concerned with the definition of quality or quantity based on perceived public need for a service, nor with the results in terms of bad or good services. Users have no say

# NORDIC IMPLEMENTATIONS

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- The core principles of the EU directives on public procurement are transparency in the process, equal treatment of all providers, open competition, and sound procedural management. The procurement regulations are designed to **achieve a market** for goods and services that is competitive, fair, open, and well regulated. With a fair competition and a rational procurement process it is believed that ***public funds will be used efficiently, with the optimal relation between price and quality on goods and services*** (see European Commission, 2019). As based on a market logic they challenge in some aspects the welfare logic, particularly the **welfare or public health perspective**
  - By comparing four countries (Denmark, Finland, Norway and Sweden) and their adoptions of the EU directive in procurement laws and guidelines, we can get a picture of **which factors facilitate and which prevent a continuous defence of the welfare and public health arguments** in Nordic service and health care systems, also within steering mechanisms that are rooted in market logics.

# DATA

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- Laws and regulations, including guidelines, for public procurement of social and health care (by the end of 2018)
- Procurement expert interviews (national and local level), for picture of argumentation behind models and implementation
- Other written information on service production and procurement praxis

# ANALYSIS

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- SUPPORT FOR MARKET LOGIC

- - presence of commercial providers
- - use of procurement
- - political ideology favouring markets/governments 2016/2017
- - economic threshold for mandatory public procurement
- favouring of commercial actors

- SUPPORT FOR WELFARE LOGIC

- - references to social/health service legislations in procurement
- - references to public health aspects of treatment systems
- - emphasis on user involvement

# NORWAY: POLITICAL PROTECTION OF THE WELFARE STATE, THE THIRD SECTOR, AND THE SERVICE USERS

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## WEAK SUPPORT FOR MARKET MODEL

Low presence of commercial providers

Procurement only in bigger municipalities

Threshold for strict procurement 750 000

In spite of right wing government strong continuous support for Third Sector (legislation, guidelines)

- VERY STRONG SUPPORT FOR WELFARE IN PROCUREMENT REGULATIONS
- Strong emphases on social/health care laws
- Much emphases on public health aspects of treatment systems
- User involvement strongly emphasised

# NORWEGIAN ARGUMENTS

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- Competition with commercial actors threaten the Third Sector
- Procurement guidelines argue against the principle of competition in social and health care: threatens continuity, integration and collaboration of services
- Third sector good for user involvement (closer to civil society)
- It is a bonus (economically) if the provider's service is complemented with voluntary workers

# FINLAND: DUAL STRATEGY. SOCIAL/PUBLIC HEALTH CONCERN , TOWARDS MARKETISATION?

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- MEDIUM/HIGH SUPPORT FOR MARKET MODELS
- Fairly moderate but increasing presence of commercial actors
- Procurement in bigger municipalities;; will increase with social- health care reform (?)
- Rightwing government until summer 2019
- EU:s lowest threshold for strict procurement models in health and social care (400 000)
- Limitation of role of public sector
- STRONG SUPPORT FOR WELFARE IN PROCUREMENT REGULATIONS
- Social and health laws stressed
- Public health relevant aspects of systems stressed
- User involvement stressed

# FINNISH ARGUMENTS

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- Lower threshold for strict procurement, public sector's limited possibilities to sell services to other municipalities/regions and the lack of mentioning of the Third Sector show an intention to enlarge the market influence.
- On the other hand, the law gives much room for attention to social/health care laws, including the right for users to complain over procurement referring to these, and stresses user involvement

# SWEDEN: LATE REGULATION EFFORTS IN DEVELOPED MARKET

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- VERY STRONG SUPPORT FOR MARKET MODEL
- Commercial providers have dominant position
- Procurement is the dominant steering procedure
- Soc.dem/green minority government
- Threshold for strict procurement 750 000
- Recent initiatives to strenghten role of Third Sector
- MEDIUM/LOW SUPPORT FOR WELFARE LOGIC
- No mention of social laws in regulations, only in government report
- Mentioning of public health aspects of systems only in guidelines
- User involvement not mentioned

# SWEDISH ARGUMENTS

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- Competent procurement regarded as best guarantee for good systems
- Recent efforts to protect Third Sector, but on a market (too late?)
- Even if increasing critique of effects of privatized services, only weak efforts to stifle the market logic
- The strong presence of commercial actors presents an obstacle for radical reforms

# DENMARK: PROCUREMENT NOT USED; REGULATED MARKET WITH CONSUMER STEERING

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- STRONG SUPPORT FOR CONSUMER STEERED MARKET
- Many commercial providers
- No procurement – choice instead
- Conservative-liberal coalition (now soc.dem-liberal)
- Threshold for strict procurement 750 000
- Control of profit – no favouring of Third Sector
- WEAK SUPPORT FOR WELFARE LOGIC IN PROCUREMENT REGULATIONS – BUT CONSUMER INFLUENCE
- No mentioning of social or health care laws or public health aspects of treatment
- Very strong emphases on user involvement as consumer choice

# DANISH ARGUMENTS

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- The market is steered and controlled partly by accreditation with a system of consumer choice and partly through supervision of both the quality of the treatment and the finances of the providers, to avoid abuse of public money.
- The Danish social service legislation stresses more than the others the autonomy and self-sustainability of the individual – less conflict between the two logics?

# CONCLUSIONS OF THE PROCUREMENT STUDY

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- Big variations between the Nordic welfare countries
- Protection of welfare logic not dependent on governments' political majority
- Existing service providers are crucial for future reforms
- Steering traditions as well (path dependency)
- The Swedish example shows that a strong presence of commercial actors and established procurement practices has framed the steering legislation