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Between hierarchy, market and networks

**The case of public utility and care for
the elderly in Sweden**

Stig Montin

2014:27



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Between hierarchy, market and networks. The case of public utility and care for the elderly in Sweden

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Foreword

This report is written within an Action network called Local Public Service Reforms: An International Comparison (LocRef), which is part of COST (European Cooperation in Science and Technology), which in turn is a long term international network funded by EU FP7. The LocRef network started in 2013 and consists of more than 100 researchers from close to 30 countries. The network is coordinated by a Management Committee, which is headed by Prof. Dr Sabine Kuhlmann (Chair), University of Potsdam and Geert Bouckaert (Vice-Chair), University of Leuven (<http://www.uni-potsdam.de/ls-kuhlmann/cost/cost.html>).

The research organised in four Working Groups with specific research purpose, but the research is guided by three overall questions:

- (A) What institutional changes can be investigated and what is the explanation of (varying) reform degrees from a comparative perspective?
- (B) What are the drivers/causes of reform activities, who are the promoters/stakeholders and what implementation strategies do they follow?
- (C) How can the (intended and un-intended) reform effects be evaluated?

More specifically, this report is a country report within Work Group I, which deals with issues related to “External (Post-) NPM”. The WG focuses on NPM-driven externalizations of local services to private or non-profit providers (contracting-out, functional/asset privatization, corporatization, competitive tendering). It also assesses the more recent Post-NPM reforms that are targeted towards re-municipalization and re-integration of previously externalized local functions.

Between hierarchy, market and networks

The case of public utility and care for the elderly in Sweden

*Stig Montin*¹

1. Introduction: The local government system in Sweden

The aim of this country report is to provide an overall view of changes in the regulation and management of the “hard” and “soft” service sectors in Swedish municipalities in recent decades. Hard services are traditional public utilities and soft services are constituted by eldercare. A description of the local government system and a short historical background are provided by way of introduction, together with a definition of concepts used. A separate description of the development of public utilities and eldercare is subsequently provided, and finally a number of conclusions are drawn.

The term “local government” (*kommun*) includes municipalities and county councils, which overlap but which have different areas of responsibility. Municipalities are thus not subordinated to county councils. While municipalities are responsible for a wide range of activities, the principal responsibility of county councils is primary health care and hospital care (about 90% of the budget). In four cases (Västra Götaland, Skåne, Halland and Gotland), the county councils are called regional councils. The difference between the regional councils and the other county councils is that the former have more wide-ranging responsibilities. In

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addition to primary health care and hospital care, they are responsible for regional development and infrastructure planning.

Local self-government in Sweden is mainly defined through a “general powers” clause in the Local Government Act (LGA, 1991:900): municipalities and county councils must themselves attend to matters of general concern which are related to the municipality’s or county council’s area, or with their members and which are not to be the sole responsibility of the state, another municipality, another county council or some other body. (LGA, Ch. 2, Section 1).

There has always been a strong principle of local self-government in Sweden and it is given further emphasis in the constitution. However, whilst local self-government is a principle, it has never been clearly defined. It is basically delegated state-power. What local self-government actually means at a specific historical moment is a negotiated order, mainly between the political parties and between central government and the Swedish Association of Local Authorities and Regions (SALAR). Viewed over time, the major tendency is towards decentralisation, however, occasionally and within specific policy areas, central government control has simultaneously increased. Over a period of several years a certain practice has developed, which has recently been constitutionalised. Accordingly, in the revised constitution of 2010, a chapter has been added with six articles concerning local authorities, including both self-government and restrictions on it (Instrument of Government, Ch. 14). In addition to the principles stated in the constitution, the Planning and Building Act states that “planning the use of land and water areas is a matter for the municipality” (The Planning and Building Act, Law 1987:10), which is generally referred to as “planning monopoly”.

On the other hand, it states that detailed rules concerning responsibilities are laid down in law, that “local authorities may be obliged to contribute to costs incurred by other local authorities if necessary to achieve an equal financial base” (a system of financial equalisation), and more generally that “regulations regarding grounds for change in the division of the realm into local authorities are laid down in law” (Instrument of Government, Ch. 14).

2. A broad historical background

Expressed differently, the Swedish system is characterised by a strong central state *and* a system of strong local government. First, it has roots related to the principle of the *Rechtstaat* and the introduction of civil and political rights. The principle of the *Rechtstaat* holds that three demands have to be fulfilled. First, citizens must enjoy a number of fundamental freedoms and rights. Second, even the highest authority is bound by the rule of law. In Sweden this is articulated in the Instrument of Government by the statement “public authority is exercised under the rule of law”. Third, public power has to be organised according to the principle of division of power (Mattson & Petersson, 2004).

Second, many historians claim that Swedish democracy has its roots in how everyday matters were dealt with in the countryside. However, local government had no impact on the institutionalisation of the Swedish form of government (Strandberg 2004: 188). The role of local government became far more important during the development of the welfare state, especially post-WW II.

Development of the welfare state mainly started in the 1930s, and has been described in terms of “rationalistic planning”, “the era of the great programmes”, “the strong state”, “the corporative state” and “to put life in order”. The political ambition was to construct a good society on the basis of enlightenment, science, and democracy (Hermansson 2003). Throughout the 20th century institutional capacity was increased in order to solve societal problems. In general, reforms have been framed and implemented within what has been regarded as a representative chain of command characterised by a representative democracy based on political parties, and a public administration based on the rule of law and effectiveness. In reality, the framing and implementation of welfare reforms has been influenced by interest organisations, mainly regarded as “representatives of society”. Hence, this form of corporatism has generally not been regarded as a democratic problem.

The expansion of welfare state services in Sweden can be reconceptualised as the expansion of municipal welfare (Lidström 2011). Since the 1950s, local authorities (municipalities and county councils) have been more or less regarded as the most important institutions when it comes to implementing social and educational policies. This does not mean that the autonomy of local government throughout this period has been as strong as it is now. Several decentralisation reforms have made the municipalities more autonomous.

Two boundary reforms have been implemented since the 1950s (1952 and 1974). The number of municipalities was reduced from about 2,500 in 1951 to 278 in 1974. Since the 1980s a number of municipalities have been partitioned into two or more units with the result that in 2014 there are 290 municipalities.

The growth of local authorities as welfare institutions can be measured in a number of ways. At its height during the 1960s and 1970s, the annual growth in volume was around seven to nine per cent. With an index of 100 in 1970, state consumption rose to about 120 in 1980 and 130 in 1991 (and has declined since then) and municipal consumption rose to 145 in 1980 and 180 in 1991. 1992 was the first year in modern times when the volume declined. Today, municipal and county council expenditure accounts for about 25 per cent of GDP, a figure which has remained roughly the same since 1980.

Mainly as a response to the amalgamation reforms of the 1960s and 1970s and the growth in resources, a period of decentralisation measures was instituted, with the experiment of “free municipalities” during the 1980s and subsequently giving municipalities the freedom to organise political and administrative functions (which was laid down in the new local government act in 1991), decentralisation of responsibility for primary and secondary education and the transformation of central government subsidies (from earmarked subsidies to general subsidies) in 1993.

2.1 Conceptualisation

By way of classifying the institutional change that has taken place during the last decades within the areas of public utility and eldercare, a common distinction between hierarchy, market and networks can be used (cf. Meuleman 2008). “Hierarchy” refers to when central government institutions apply formal authority in relation to local government institutions or activities that are under local government responsibility. An example of “hard” control is when an agency uses sanctions in order to make improvements. Central government management of local government in Sweden is mainly “soft”, based on the principle of local self-government. “Market” refers to a situation where public services are contracted out using public procurement, or when consumers of public services can choose between different providers (voucher system). This does not imply an absence of central government management and control. For instance, numerous rules are applied in order to facilitate

“competition neutrality”. “Network” mainly refers to horizontal collaboration between interdependent actors related to a certain policy field. Inter-municipal collaboration is one example and another example is when public and private actors collaborate in framing the quality of services. All three types of coordinating mechanisms can be used simultaneously and during some periods one can be emphasised more than others.

The driving forces that lie behind the interaction between these modes of governance are of various kinds. One important factor often used to explain and justify a transition towards a more market-like public administration is the increasing lack of public resources. The argument is that new forms of incentives and management are necessary. However, lack of resources as such does not explain a specific approach to reform; ideas of governance are also important. Such ideas are imported, adjusted or produced within a general logic of changes in how to coordinate complex organisations (Bouckaert *et al* 2010). Put simply, when central coordinating units, whether central government or local government, find themselves overloaded by issues, it is natural to decentralise or delegate functions and decision-making. This is what happened in the 1980s and in the early 1990s. The distribution of functions and responsibilities, and thus risk-taking, was driven further by the introduction of NPM. Logically, when coordinating actors perceive a tendency for public administration and the organisation of public welfare to fragment, they try to increase central control again. This is what has happened since the turn of the century by placing greater emphasis on scrutinizing activities (evaluations, inspections, etc.). Hence, the development of new combinations of instruments based on hierarchy, market and networks.

3. Changes since the 1980s

A new era of reforms can be identified since the late 1980s. The overall direction has been towards adaptation of market mechanisms as drivers for development (purchaser-provider split, competition, customer choice, privatisation and performance control), but also increased demand for citizen involvement in handling complex policy matters and inter-municipal cooperation in order to cope with operational and strategic matters. Local government responsibility for welfare, education, economic development and broader issues related to sustainable development has increased, but so has central government control and monitoring, for example, with regard to public procurement, education and health care. Several changes that have taken place in legislation directed at municipalities and county councils can be viewed as adaptations to EU legislation on the free movement of money, people, goods and services. In contrast to some other EU countries, there is no wave of “re-municipalisation” taking place in relation to either “hard” or “soft” services. However, the issue has been put on the agenda, especially concerning healthcare, social services and education. Politicians and think-tank’s from the political left in particular are arguing in favour of a re-municipalisation of eldercare (or at least more control of private providers), but also that the state should take back the operational responsibility for public train transport and track maintenance.

3.1 Public utilities

Various concepts are used to define “public services” or “municipal services”. For instance, a distinction is made within EU legislation between “services of general interest” (SGI) and “services of general economic interest” (SGEI). As there is no explicit definition of what to be regarded as SGEI in the EU legislation, member states can make their own definitions of what kind of services are to be included. Typical SGEI services at the municipal level might be transport, water distribution, energy provision and electricity distribution. A public service can be withdrawn from EU competition rules if there are “market failures”, that is if it is regarded as not possible for market actors to deliver the services. The Swedish government have been very restrictive in defining services in this way. TEU vocabulary is not actually used. The argument has been that services in general (public utilities as well as social services) should not be provided by just one actor (monopoly), but by competing actors in the market. For example, provision of public housing (*bostadsförsörjning*) is not defined as SGEI in Swedish law (Govt. White Paper. 2009/10:185, p. 28).

Public utilities including municipal housing, water and sewage services, property management and private company services have to a large extent been transformed into municipal companies acting in the market. Municipally-owned companies (based on private law) have always represented an important way of handling a range of local services, such as water supply, energy distribution, property companies, public transport (limited companies). Municipal companies are organised nationally within specific sectors. For instance, water and sewage is a municipal responsibility and is nationally organised within a specific sector organisation called The Swedish Water & Wastewater Association, SWWA (*Svenskt Vatten*). SWWA was set up by a number of municipalities in 1962.

There are several reasons to establish a municipally-owned company. For example, they can act more flexibly and less publicly than an authority based on public law. However discussions are continuously taking place concerning issues such as transparency and political accountability related to these companies. Changes have been made in the Local Government Act with the aim of enabling greater fulfilment of democratic values. In the mid-1990s the constitutional principle of public access to official documents (*Offentlighetsprincipen*) became applicable to municipally-owned companies (more than 50 per cent ownership). The level of transparency in the companies is thus similar to that of ordinary public authorities.

Viewed over time, the number of municipal companies was reduced during the 1970s. In the subsequent period, corporatisation has increased in two waves. In an initial wave from the late-1980s to the mid-1990s a couple of hundred companies were established. The second wave started in 2007 and there are now about 1,600 municipal companies. Most companies are situated in larger cities and are mainly involved in private corporate services and property management. In terms of employment, the largest companies are in the areas of energy and water supply. The total turnover for municipal companies increased by 27 per cent between 2004 and 2009.

Municipal companies can be seen as “hybrid organisations”. This means that they are supposed to act in a business-like manner in a competitive environment and simultaneously contribute to the public interest (*allmänintresse*). According to the LGA, they cannot be set up *principally* to make a profit, but they are allowed to make a reasonable surplus (the principle of prime cost). This twofold mission often leads to conflicting goals, which, for instance, is obviously the case within municipal housing companies. According to legislation from 2010 the companies are expected to act in the name of public interest, but also act according to

“business-like principles”. What this actually means is that they are not allowed to increase the rent of an apartment above what it is worth (the principle of the utility value), but they are also expected to maximize their profit. This can be viewed as an adaption of EU rules on state support and implies that politicians have a double role: on the one hand, representing the public, and on the other hand representing the company as a profit-seeking actor.

Municipal companies are actors in markets along with private companies, in the electricity distribution sector for example. Since the liberalisation of the Swedish electricity market in 1996, profit-maximizing companies carry the main responsibility for distribution and investment in new electricity generation. Electricity consumers have 122 different distributors to choose from (see, for example, www.elskling.se). The largest companies are E.ON (owned by a large German company), Vattenfall (owned by the Swedish state) and FORTUM, which together distribute electricity to more than 50 per cent of all customers. The rest of the distribution companies largely consist of municipal companies. To some extent this high concentration of ownership in the market has been regarded as inadequate (Energimyndigheten 2006; Fridolfsson & Tangerås 2011). Distribution of electricity consequently consists of a combination of a very small number of dominant profit-maximizing companies with a large number of small municipal companies.

Another, somewhat similar, case is waste management, which also combines public and private actors. A privately owned system of extended producer responsibilities (EPR) is responsible for collecting and processing specific waste streams such as packaging and electronic equipment and batteries. Household waste management (which is not included in the EPR system) is a municipal responsibility (Corvellec *et al* 2013). Municipalities decide themselves how it is organised, as self-administration by municipal companies (independently or jointly with other municipalities), joint boards or municipal associations. Two or more municipalities can jointly own one company, which means that municipalities collaborate on improvements and coordinate their policies (Lindqvist 2013). Contracted private companies perform the bulk of the waste collection, but municipal companies do most of the waste treatment (recycling, biological treatment, energy recovery, incineration and landfill) (www.skl.se). Of the more than 220 waste companies in the Swedish market, ten predominate (five municipal companies and five private companies). Waste management is often connected to the municipal district heating system, which means that household waste is often used as fuel for district heating (Corvellec *et al* 2013).

In 2012 a government commission (Government Commission Report 2012:56) proposed a new structure of responsibilities in waste management. The main proposal is for municipalities to take over the responsibility for collection of packaging, newspaper and waste paper for recycling from the producers (producers of goods are responsible for recycling packaging and waste paper etc.). However, the Swedish Competition Authority (*Konkurrensverket*), among other bodies, considered that the proposal would end up in a monopoly situation (www.konkurrensverket.se). This proposal can be interpreted as a kind of “re-municipalisation” of the waste collection operation, however, in August 2014 the Alliance Government decided to maintain the system of private collection of waste for recycling arguing that this would stimulate further improvement of recycling based on economic incentives rather than public authority.

Another area of policy that is undergoing change is public transport. In 2008 the sector organisations (the Swedish Transport Association, the Swedish Bus and Coach Federation, the Swedish Taxi Association, the Association of Swedish Train Operation Companies and SALAR) joined together as a “Partnership to double public transport” with the aim of doubling the volume of travel by public transport during the period 2006-2020 in order to contribute to a more sustainable development. The policy instruments consist of a combination of strengthening formal authority, market mechanisms and inter-municipal collaboration. Municipalities and municipal companies are engaged on “both sides” of the purchaser/provider split. In accordance with new legislation from 2012 (the Public Transport Act), there is a regional public transport authority tasked with making strategic political decisions on the development of public transport based on a large-scale overview and better coordination with other types of social development (Swedish Transport Association 2013). This new authority has its base within local and regional government and can be a region, a county council, a regional association or an inter-municipal association. The regional public transport authorities do not, however, purchase actual transport. This function still lies with municipal transport companies. A market for commercial bus traffic within regions has simultaneously opened up, enabling for-profit bus companies to set up bus services anywhere.

3.1.2 Re-municipalisation?

A research report commissioned by the European Federation of Public Service Unions (EPSU) shows that there is a tendency towards the “re-municipalisation” of public utilities in a number of EU countries (PSIRU 2012). This is not (yet) the case in Sweden. For many years there has been a mixture of hierarchical and market-oriented institutional arrangements.

Municipal companies are themselves hybrids of formal authority and market operations. During recent decades the combination of formal authority and marketization has become even more prominent, exemplified by the electricity market and the public transport sector. In this sense it can be argued that NPM is still a major influence on reform. In line with the concepts used by Pollitt and Bouckaert (2011) for example, the state of local public utilities in Sweden can be seen as a combination of NPM and the “Neo-Weberian state”.

3.2 Eldercare

Historically, municipal eldercare has developed out of the responsibility for arranging homes for old and poor people in the 17th century. Modern eldercare can be dated from the 1950s, when municipal care at home was introduced.

Eldercare services in Sweden are deemed to be provided on a universal basis, which means comprehensive, publicly financed and high quality services should be available for all citizens according to their needs rather than their ability to pay. Approximately 85 per cent of eldercare funding comes from municipal/county council taxes, while another 10 per cent comes from national taxes. What users pay only covers 5-6 per cent of the costs (Erlandsson et al 2013). For several decades, official eldercare policy has focused on home-based care (home help services). Special accommodation should only be considered when no other options are available, and it should be as home-like as possible.

Providing care for the elderly is still ultimately a municipal responsibility. Local government's overall political responsibility and accountability for private provision of public services is regulated in the Local Government Act (LGA) and substantive legislation consisting of the Social Services Act (*Socialtjänstlagen*, SFS 2001:453) and the Medical Services Act (*Hälso- och sjukvårdslagen*), as well as regulations drawn up by national government agencies (such as the Swedish National Board of Health and Welfare, NBHW). The very idea of having municipalities take responsibility for different kinds of welfare functions represents local democratic control and a proximity between the actual service provision and those who are politically responsible for making the provision in accordance with local needs. This means that municipalities are entitled to design health and social care services for the elderly that are adapted to local conditions.

From the 1970s to the 1990s, municipal care for the elderly was regarded as an exclusively public (municipal) matter, involving public financing and provision. During the 1980s, decentralised administrative management in terms of increased responsibility for managers at

different levels became of prime importance in all policy areas, including eldercare. Arms-length political control was introduced, including management by objectives (MBO), management by results (MBR), and purchaser/provider models. According to these models, politicians should be able to focus on strategic issues rather than on time-consuming day-to-day politics. Today nearly all municipalities have some kind of MBO/MBR, and most municipalities use some kind of internal contract system (sometimes still called the purchaser/provider model).

Along with this internal managerialism, initiatives were gradually put in place to increase management autonomy by contracting out welfare services. Privatisation (contracting out) within care for the elderly (and the disabled) has been continuously expanded since the 1990s.

Between 2000 and 2010, private provision of care for old and disabled people (home services and special accommodation) increased by approximately 12 per cent. The most extensive changes have taken place during the last couple of years. The proportion of all old people in private special accommodation was 21 per cent in 2012, compared to 14 per cent in 2007. In terms of hours for home help services for old people, private provision increased from 13 per cent in 2007 to 23 per cent in 2012 (Socialstyrelsen 2013). Private alternatives within care for the elderly were initially a uniquely metropolitan phenomenon (Stockholm), but they have gradually spread to adjacent suburbs and larger cities, and subsequently to smaller cities. Nevertheless, in 2012 half of all municipalities (mostly smaller ones) provided their own eldercare. On the other hand, some municipalities have put all eldercare into the hands of private providers (ESO 2014) This policy diffusion cannot be explained simply by referring to a right-wing political majority, but is the result of an intertwined complexity of ideological and economic factors and geographical proximity (Stolt & Winblad, 2009).

Municipalities are not forced to contract out home help services or special accommodation (“in-house”), however, if that is what they decide to do, they have to follow the rules of public procurement (Public Procurement Act, 2007:1091), which states that there has to be competitive tendering (“ex-house”). Alternatively, another piece of legislation can be used (*Lagen om Valfrihet, LOV*), which entitles service consumers to choose accredited and listed private help service providers. It should be noted in this respect that the rules in Sweden go beyond those rules required by EU Directive 2004/18 in which welfare services can be regarded as “services of general interest” and hence do not have to be included in a competitive system (Erlandsson *et al*, 2013, p. 28).

The private providers consist mainly of fairly large for-profit companies. Privatization of eldercare in Sweden thus represents a shift in policy from non-profit municipal organisations towards for-profit global venture companies (Stolt et al 2011). In this context it should be mentioned that when “freedom of choice” was launched nationally by the right-wing government as an important reform to enhance quality in health care for old people, it was assumed that there would be a large number of non-profit organisations providing elder care. However, due to the fact that it is hard to provide any precise quality criteria, the price of the services becomes the most important criteria and smaller companies and non-profit organisations are not able to compete with the big ones, which have thus far turned a rather good profit in selling care to municipalities.

In order to make it easier for municipalities and county councils to introduce consumer choice instead of outsourcing, a new legislation called “system of choice” was introduced in 2009 (*LOV, Lagen om valfrihet*, SFS 2008:962; Konkurrensverket 2012). It was also argued that this new legislation would encourage smaller and not for-profit providers to join the eldercare market. System of choice entails a procedure where the individual is entitled to choose which of the suppliers with which a contracting authority (municipality and county council) has approved and concluded a contract should perform the home-help service (Erlandsson *et al*, 2013). There are no restrictions on how many providers can be approved. This means that the providers have no guaranteed customers. Private service providers in accordance with LOV can supply supplementary services at a market price to “top up” subsidised municipal eldercare, which municipal providers not are allowed to do. LOV can basically be applied for all social services, home-based as well as residential. This legislation is compulsory for county councils but voluntary for municipalities. In 2014 a Government Commission suggested that all municipalities should be obliged to create conditions that enable users to choose between various providers of home-help services. Approximately 180 of the 290 municipalities had introduced this system in 2014.

Market-oriented reforms within eldercare have transformed the role of local government from being the only provider towards a situation of being both purchasers and providers. This means that municipal politicians and professionals have had to develop new skills (Erlandsson *et al* 2013). They have had to develop expertise in how to purchase eldercare in a market dominated by care companies that are in some cases actually more powerful than the municipality. They have also had to develop expertise in monitoring and quality control, which demands sufficient

resources. All in all, this has created a rather complicated system and an increase in demands for performance scrutiny and performance management.

3.2.1 Performance scrutiny

When NPM was introduced in Sweden in the 1980s, several critics remarked that too little emphasis was put on measuring performance. This was a period of “management by objectives”, however, it was generally regarded that there was a lack of relevant knowledge to enable politicians to make qualified and informed decisions. More information concerning the quality of public services was generally required. Several motives can be identified behind this: cost-effectiveness, political accountability, the rule of law and provision of information for users to make rational choices. The need for different kinds of performance measurements increased concurrently with increased internal delegation within local government and privatisation (private providers).

Large municipalities often have an advanced system to scrutinise activities related to eldercare. However, several reviews suggest that there is a lack of systematic control and follow-up of the activities of private providers in both large and small municipalities. For example, on many occasions only a small number of measurable goals have been formulated as the basis for public procurement of health and care, home care for elderly has not been systematically followed-up and there is a general lack of resources and knowledge concerning the responsibility for control and follow-up within eldercare (Swedish Government Official Report 2013:53).

During the 1990s a number of cases of “poor conditions” within eldercare were highlighted in the mass media, in Government Commissions and at the National Board of Health and Welfare (NBHW). These included quality deficiencies, lack of coordination between municipalities and county councils and inadequate treatment. One particular event had a substantial impact. This was when in 1997 an employee (Sarah Wägner) drew public attention to significantly unsatisfactory conditions at a specific residential unit. This report from below became so significant that in 2001 new legislation concerning employees the right and obligation of employees to report bad conditions was named after her (Lex Sarah). Besides this example of “hard” control, new “soft” control was also introduced, including action plans and development plans. According to an analysis of new control measures based on performance scrutiny, these measures were mainly soft and one explanation might be that central government tried to balance between on the one hand increased central control in order to cope with unsatisfactory

conditions, and on the other hand the distribution of responsibility between central and local government (Feltenius 2010).

At the same time, with eldercare issues high on the national agenda in the 1990s, municipalities started to develop horizontal benchmarking activities with the support of the Swedish Association of Local Authorities and Regions (SALAR), the national membership organisation for municipalities and county councils/regions. For instance, in the late 1990s some 20 municipalities formed a “comparing quality network”, which grew to involve around 50 municipalities by 2001, subsequently becoming a national project with almost 30 different local networks including nearly 200 municipalities. The national project was formally concluded in 2010, however, several results and measures were collected into a national database. This was just one example of horizontal networking to develop eldercare and, according to comparative studies, this Swedish way of developing performance measurement and benchmarking was more voluntary and horizontal than in other countries (Kuhlmann 2010; Kuhlmann & Jäkel 2013). This is one way to interpret the development of performance management, but more recent top-down processes should also be taken into account.

There are a considerable number of public agencies and quasi-public organisations involved in performance scrutiny of eldercare. First of all there is the Swedish National Board of Health and Welfare (NBHW), a government agency with a wide range of activities (www.socialstyrelsen.se). These include monitoring, evaluation, developing standards and exercising supervision. In June 2013, the supervisory and scrutinising activities were streamlined and put into a new authority (The Inspectorate of Health and Social Care, IHSC). There are also a number of “meta-scrutinisers” which assess the success and failure of scrutinizing activities, such as the Swedish Agency for Health and Carer Services Analysis (*Myndigheten för vårdanalys*), the Swedish National Audit Office (*Riksrevisionen*), the Institute for Evaluation of Labour Market and Education Policy, the Swedish Agency for Public Management (*Statskontoret*) and the Expert Group for Public Economics and Government Committees (ESO).

Supervision (*tillsyn*), which is conducted by IHSC within health care and social care, has traditionally been focused on monitoring how public and private providers perform in relation to legislation and regulation. In general, supervision consists of various forms of inspections in order to ensure compliance with the law and to safeguard the rights of the individual. In the case of eldercare, compliance with the law mainly refers to the Social Services Act

(*Socialtjänstlagen*, SFS 2001:453), but also to the Medical Services Act (*Hälso- och sjukvårdslagen*). The Social Services Act states that the aim of eldercare is to ensure that old people live with “dignity and a sense of well-being”, which is referred to as a national “fundamental value” (*värdegrund*). It also states that the elderly must be able to live and lead independent lives in safe conditions and have an active and meaningful existence in the company of others. According to NBHW, it is important that the staff within eldercare (public and private providers) have equivalent training so that the care will be characterised by national equivalence (Socialstyrelsen 2011a).

Over a period of three years (2010-2012), NBHW conducted annual inspections of eldercare ordered by the central government. Each year a specific focus was chosen and a summary report was published in 2013. These three years of inspections ordered by the Government were operational, concentrating on activities which had previously been highlighted as defective or characterised by poor conditions. A report from 2012 states that 80 per cent of homes designed for the elderly (special accommodations) that were inspected did not fulfil the requisite demands based on legislation, regulations and instructions (Socialstyrelsen 2012).

The three years of inspections stipulated by the Government can be seen as an inspection process of its own, but it is also part of a process of scrutinising eldercare called “Regional and local comparisons” (RLC) or “open comparisons” (*öppna jämförelser*) (Lindgren 2012). RLC within eldercare consists of three documents produced annually: the Elder Guide (since 2008), old people’s perceptions of elder care (since 2009) and health- and social care for the elderly (since 2010). The latter is produced in collaboration with the Swedish Association of Local Authorities and Regions (SALAR). It states that in 2014 a national system of quality measures and criteria will be developed. SALAR is putting a lot of effort into getting municipalities and county councils to develop their own scrutinizing activities while also participating in developing national standards for quality.

In order to produce a fuller picture of the expansion of scrutiny activities, some other actors also have to be taken into account. There are two important organisations. Firstly, the Association of Private Care Providers (founded in 1976) is an employer organisation and an industry organisation for private providers of health and care. One of the main objectives of the organisation is to strive for freedom of choice and to demonstrate to the public the importance of variety in care provision. The association makes frequent contributions to discussions concerning quality and quality measures within health and care (www.vardforetagarna.se). The

second is the Swedish Standards Institute (SIS), a membership organisation for standard setting within different industries. SIS was commissioned in 2012 to develop Swedish quality standards for social care and health care for the elderly (homes for old people and home services). These organisations are not directly involved in performance measurements but are important as providers of norms and standards concerning quality measures.

As private providers have increased within care for the elderly, their interest organisations have also become highly involved in trying to frame the quality of elderly care. For instance, the Confederation of Swedish Enterprise (*Svenskt Näringsliv*) appointed an “independent expert group”, which was tasked with providing “guidelines for increased quality” within health care, education and social care (including elderly care). In addition, a closely related private employer organisation (the Association of Private Care Providers) has provided a “model for following up and accounting for quality within elderly care”. However, a close look at the documents presented by these two organisations reveals that they do not live up to the expectation of delivering clear definitions or criteria for quality. As in the case of similar discussions within SALAR and the NBHW, “quality” is an elusive concept, which tends to lead to measuring what is quantitatively measurable. It is quite interesting that one of the documents (from *Svenskt Näringsliv*) contains an image illustrating “measuring quality” (within health care and social services) which shows someone using a calliper to measure the exact circumference of a metal object.

To sum up, a web of different public and private actors are increasingly involved in scrutinising elder care. The most important of these are central government agencies, implying that the focus is mainly on national values in relation to equivalence, but the focus is also increasingly being placed on how to facilitate market functions. There are also strong indications that the scrutiny system is strengthening itself; when bodies find that eldercare is not fulfilling the required quality, they promote further development of the scrutinizing process.

3.2.3 Re-municipalisation?

Re-municipalisation of eldercare in Sweden is taking place sporadically, however, there does not (yet) seem to be a wave of re-municipalisation of previously privatised (contracted out) eldercare. As there is no systematic overview of re-municipalisation, it is only possible to highlight specific cases where for different reasons municipalities have withdrawn the management of special accommodation from private providers. A simple Google search gives the impression that there have been a growing number of cases where individual special

accommodation has been taken back from Attendo, Carema and other private providers. Examples can be found in Arboga, Umeå, Järfälla, Stockholm, Malmö, Motala, Norrköping, Kalmar, Linköping, Gävle, Växjö and Örebro. Only in very few cases has the withdrawal taken place during the contract period. There are also a few cases where municipalities have withdrawn LOV-options, i.e. replaced private providers with municipal providers of home help services. After the election in September 2014, the minority government consisting of the Social Democratic Party and the Green Party announced an “end to profit-making within welfare”, which means that private welfare and education companies should not be allowed to have profit-making as an aim. All surpluses should be put back into the business. Moreover, it is suggested that municipalities should have the power to veto the establishment of “free schools” and that county councils should have the power to veto the establishment of private home care and health clinics. All of this is supposed to bring “order” into the welfare system. However, the idea of an end to profit-making and a local government veto will first be investigated over a period of two years. A Government White Paper is planned for completion in 2016, and it will subsequently have to be passed in the Swedish Parliament, which might be problematic because the alliance parties have clearly stated that they will not support it.

4. Concluding remarks

The political system in Sweden comprises a strong state and strong local government. Decentralisation has been a trademark of developments since the 1970s. However, the increasing use of the market as a coordinating instrument since the late 1980s has tended to fragment the system into and a mixture of continuing marketization combined with hierarchical state coordination. Networks are also important in the two policy fields of public utility and eldercare, at the local as well as the national level. There is no obvious development towards re-municipalisation in Sweden, but there are some minor tendencies that might transpire to be of political importance in the future, especially in the case of welfare.

With respect to public utility, there are several hybrids between hierarchy (formal authority) and market. Municipal companies, which are the main providers of services in several sectors, are to be seen as institutionalised hybrid organisations in this sense. However, in order to adapt to EU-legislation, some adjustments have to be made in national legislation to ensure that municipalities are not accused of illicit state support.

Traditionally, eldercare can be seen as a “non-centralised” municipal responsibility, which has turned into a market regime since the 1990s. When it comes to the organisation of performance management, the development has moved from network coordination towards hierarchy. In the 1990s, individual municipalities entered into networks in order to compare and exchange knowledge about what makes good eldercare. The results of this networking have subsequently been converted into national standards with the aim of being applicable for all municipalities. In addition, national scrutinising authorities have been given greater powers.

The case of eldercare shows an increasing combination of market orientation and a growing performance scrutiny “industry”, which can be interpreted and explained in various ways, but a suggestion is the following. An ideological shift regarding the classical balance between equality and freedom has taken place since the 1980s, which means that more weight is placed on the latter. It has been argued that freedom of choice is an important value and that competition is regarded as the most relevant instrument for achieving this objective. National equivalence is still an important value in this context as well, however, not in relation to the content of services but in relation to the formal rules of competition. Hence, two control systems can be distinguished. One system focused on the *content* of services with the aim of

ensuring there is a national equivalence in terms of equal access and equal quality. This system is based mainly on social-democratic values gradually established since the 1930s. The other system is focused on the *forms* of service delivery, i.e. freedom of choice for individuals and freedom of competition between service providers. This leads to tensions between integral and centrifugal forces.

According to all political parties in the Swedish Parliament and across different interest organisations, Sweden is still regarded as a universal welfare state and the equivalence of social services is still an important value. When the centrifugal forces become too obvious there is a call for integrating mechanisms. A common concept in this context is “quality”. As a value, quality is similar to democracy in that it is something to which no one can actually be opposed. Several public authorities, interest organisations and organisations representing private service providers are intensively involved in finding objective and neutral quality indicators and measures that can be developed into a national standard for all providers. A generally accepted conceptualisation and operationalization of quality in eldercare is thus assumed to be used both as an instrument for supporting values of equivalence and also to legitimate private profit making. The search for neutral indicators of quality and the on-going institutionalisation of different systems of benchmarking, evaluation, inspections, rankings and other types of scrutiny models should be placed in this area of tensions between a social democratic value system and a liberal market value system. Sweden is simultaneously described as in the forefront of introducing NPM in terms of deregulating the welfare system by, for instance, making room for public financing of private profit making within social services and education, and regarded as a universal welfare state based on equality. The expanding “scrutinising society” can thus be seen as a logical outcome of trying to manage the tensions between social democratic value systems and market liberal value systems.

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