

## **Marketization of welfare services in Scandinavia**

A review of Swedish and Danish experiences

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### Abstract

Scandinavian welfare states are undergoing a gradual transformation towards a more market-based mode of public service delivery. The results of these marketization reforms are, however, insufficiently documented in terms of their consequences for the price and quality of welfare services. This article presents the findings of a systematic review of Danish and Swedish experiences with private provision of welfare services within three areas: home care for the elderly, provision of child care, and the operation of nursing homes. The research shows that there is no general evidence in support of improved cost effectiveness or enhanced service quality within these three welfare areas. A part of the reason for this is that many studies are characterized by lack of data and insufficient methodological designs. The article concludes that more and better studies are needed in order to broaden the evidence base and inform future policy-making on marketization in general and within the welfare areas in particular.

Keywords: Welfare services,  
private operators, contracting  
out, cost effectiveness,  
service quality, Scandinavia

### Introduction

The gradual change from public to private production of welfare services constitutes one of the significant characteristics of the ongoing transformation of the Scandinavian welfare states (Christensen and Lægreid, 2007; Hartman, 2011; Stolt, Blomqvist and Winblad, 2011). The Scandinavian marketization trends have been of a more incremental and gradual nature than the sweeping privatization reforms characteristic of many Anglo-Saxon countries during the 1980s and 1990s (Hood, 1991; Kettl, 2000). However, in spite of their incremental and perhaps more hidden nature these developments have not been introduced without controversy. A passionate dispute concerning the extraction of profits in the delivery of welfare services has been going on in Sweden for a number of years (Hartman, 2011). In Denmark, the debate has also been heated at times but has overall been less ideological and more focused on evidence and documented pros and cons of public versus private service delivery (Petersen et al., 2011).

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Denmark and Sweden are part of a Nordic social care regime characterized by extensive public provision of welfare services based on a commitment to universalism (Brennan et al. 2012). This makes Scandinavia a quite different case from more liberal welfare regimes like the UK, New Zealand and Australia, and it makes Scandinavia an interesting case for studies of marketization. The majority of international research on the experiences with marketization has been carried out within an Anglo-Saxon context and most studies have been focusing on the technical service sectors. The conclusions in the first wave of studies were that cost savings are the likely result of marketization and contracting out reforms (Savas, 1987; Domberger and Jensen, 1997). Later research has challenged these assertions and argued that the likely cost savings are smaller and less well-documented than envisaged by the early marketization advocates (Hodge, 2000; Hartman, 2011; Petersen et al., 2011). A few Scandinavian studies focusing on technical service sectors such as road maintenance and cleaning have indicated that private provision might lead to cost savings (Blom-Hansen, 2003; Christoffersen and Paldam, 2007). Experiences with private production of welfare services have, however, until recently only been subject to minor attention in Scandinavian public administration literature, although there has recently been carried out a few analyses (Hansen, 2010; Hartman 2011; Stolt, Blomqvist and Winblad, 2011).

The purpose of this study is to systematically examine the experiences with marketization of public welfare services in Scandinavia with a focus on Sweden and Denmark. We focus on marketization experiences in relation to cost effectiveness and service quality as well as other relevant effects including user satisfaction, employee consequences, security of supply and innovation. In order to delimit the scope of the review we have chosen to focus on experiences with marketization of nursing homes, day care centers, and home care for the elderly in the period from 2000-2012<sup>1</sup>. The three service areas exemplify different types and domains of marketized welfare services delivered at the local government level and together represent approximately 30 percent of total local government sector spending in the two countries (Petersen and Hjelmar, 2012: 5). A few studies focusing on the health sector were identified but were excluded from the review because these services are carried out at the regional level and we have chosen to limit the review to services provided at the municipal level. We also searched for studies documenting the experiences within other social service areas, including care for disabled, specialized social services and primary teaching. We found, however, little or no research documenting marketization experiences within these areas.

The article shows that in spite of the growing focus on marketization initiatives in Scandinavia, the results of these widespread reforms are generally poorly documented in previous research. Across the three services areas in focus – day care, nursing homes, and home care for the elderly – there is no systematic and generalizable documentation of improved cost effectiveness or better service quality as a result of marketization. The consequence of the gradual change from public to private provision of welfare services thus leaves more questions than

answers. We conclude the article by arguing that more and improved research is warranted in order to fully comprehend and evaluate the consequences of the marketization of welfare services in Scandinavia.

The article is structured as follows. In the next section, the theoretical underpinnings of the marketization discussion and the methodological approach of the article are presented. In the three subsequent sections, the documented experiences with marketization of nursing homes, provision of child care, and delivery of home care are presented. Finally, in the last section, a discussion and conclusion is provided and pathways for future research are discussed.

## Evaluating marketization reforms: A framework

The concept of *marketization* is a wide concept that covers a broad span of arrangements where private sector organizations contract with public sector bodies with the purpose of delivering a welfare service in exchange for public funds (Brown and Potoski, 2003). In Scandinavia, two types of marketization of welfare services are particularly dominant. The first type is *contracting out* which can be defined as the transfer of the production responsibility for a publicly financed service to a private sector organization, whereby the public sector takes the role of procurer but keeps the overall responsibility for financing and supervising the service (Bhatti et al., 2009). The second type of marketization is *free choice reforms* where citizens are given the right to choose between public and private providers of welfare services. This is basically a voucher system based on the principle that the money follows the citizens regardless of who delivers the service. Both types of marketization are different from *privatization* characterised as the sale of ownership rights whereby a public asset (a utility company, an infrastructure asset etc.) changes status from public to private ownership (Hodge, 2000). It is the first two types of marketization - contracting out and free choice reforms - which are in focus in this article.

### Theories about marketization

A major source of inspiration for proponents of marketization and contracting out reforms is *the neo-liberal economic school of thinking* embodied by economists like Milton Friedman and James Buchanan. Neo-liberal ideas have formed the ideological and theoretical foundation for public choice theories and New Public Management (NPM) thinking about “less government and more market” (Lundquist, 2001; Pollitt and Bouckaert, 2004; Burgin, 2012). The assumption in public choice theory is that the public sector because of a lack of competition is characterized by the same welfare losses as private monopolies and that public responsibility for regulation and financing of public services does not necessarily imply public production. Public choice theory emphasises that market failures can create the need for government regulation but at the same time argues that public intervention in the market should be as little intrusive as possible. Furthermore, such interventions should be weighed against the risk of public sector

errors in the form of slack, lack of responsiveness and shortage of innovation (Hartman, 2011).

According to public choice theory, marketization of public services should lead to higher efficiency, better quality, greater diversity and less bureaucracy in the delivery of public services. The strong believe in the supremacy of the private market stems from two main arguments in public choice theory (Blom-Hansen, 2003). The first is the *ownership argument* that asserts that private organizations are more effective than public organizations because a private ownership structure gives incentives for running the business in an effective manner. If the private organization is not competitive it will go bankrupt which is different from the logic and functioning of public organizations. The second argument is a *competition argument*. It focuses on the level of competition in private markets compared to monopolized public service delivery. Moving services from the public to the private domain is according to this line of thinking expected to expose suppliers to greater competitive pressure. This provides incentives to find new and innovative methods of production, which - in theory - will lead to improved cost effectiveness and service quality (Hodge, 2000; Petersen et al., 2011).

As a response to neo-liberal thinking another stream of literature has emerged. This literature has a more *critical perspective on marketization*. It is based on some of the same theoretical assumptions about the public-private divide but it has a significantly different interpretation of the advantages and disadvantages of increased competition in the delivery of public services (Hartman, 2011). The literature emphasizes that private actors are fundamentally different from public actors. Private actors focus on profit and this motive creates a risk of reducing the quality of services through "skimping" and attempts to avoid costly solutions and customers (Vrangbæk and Petersen, 2013). This can lead to increased inequality between citizens with different resources and related costs in the public sector to ensure security of supply in the case of private sector failure (Petersen et al., 2011).

The critical market perspective also notes that public welfare services are often more complex and diverse than services produced in the private market. This argument builds on transaction cost theory which has taught us that services and products with a high asset specificity often involves high transaction costs if they are contracted to an external partner (Williamson, 1975). It is thus highlighted in this body of literature that the transaction costs of signing contracts, controlling private providers and following-up can be considerably higher than the transaction costs associated with provision of the same services within the public sector (Brown and Potoski, 2003). In addition, while the public choice school perceives public employees as self-interested utility maximizers, the critical market perspective operates with a mixed-motive perception of public employees as both selfish and altruistic (Le Grand, 2003; Torfing and Triantafillou, 2013: 12).

### Results of previous research

International research on marketization and contracting out generally shows cost savings. Domberger and Jensen (1997) conclude that contracting out can produce savings in the range of 20 per cent while providing a similar level of service. Large cost savings are also found by Borcharding, Pommerehne and Schneider (1982) in a literature review of more than 50 studies from the United States, Australia, Germany, Switzerland and Canada. Another study by Savas (1987) is based on studies mostly from the United States and also finds considerable savings.

In later studies and meta-reviews more moderate effects of contracting out and marketization reforms are found. In a comprehensive review of the literature, Hodge finds cost savings in the range of 6–12 per cent after accounting for transaction costs (Hodge, 1998; Hodge, 2000). Hodge also finds great variation in different areas of the public sector and concludes that sufficient documentation is most evident in the technical areas, such as refuse collection and cleaning, whereas the documentation of effects of marketization is less evident in other areas like welfare services (Hodge, 1998: 105). As a result, Hodge notes that “expecting contracting to be a panacea for all public services, though, would be foolish” (Hodge, 2000: 246–247). Smaller cost savings and a critical perspective on marketization is also found in Boyne’s examination of 40 studies from Great Britain and the United States (Boyne 1998). Boyne is critical towards the method and data in many of the studies in the area, particularly in relation to measuring the impact of contracting out on the quality of the delivered services.

Studies of the effects of contracting out in a Scandinavian context have mainly focused on technical service sectors like road maintenance, cleaning and garbage collection. Blom-Hansen (2003) has examined the experiences with private provision of road maintenance and concludes that the use of private suppliers leads to 1.5 per cent savings with unchanged quality levels if a municipality increases the proportion of private sector operators by 10 percentage points. Christoffersen, Paldam and Würtz (2007) find that contracting services out to private actors can provide cost savings of 20-25 per cent but also conclude that there is a considerable variation in costs across the public sector.

Other studies have been more critical. A study by Hansen (2010) on marketization within home care to the elderly finds no significant cost savings. In a systematic review of Danish and international studies, Petersen et al. (2011) conclude that cost savings in the range of 5-15 percent are documented within the technical service sectors while there is no evidence of general cost savings as the result of marketization within the welfare sectors. Hartman (2011) also concludes that economic effects of marketization of welfare services are poorly documented in Sweden. Recent Scandinavian research has thus highlighted the need for more solid evidence concerning the consequences of marketization reforms especially in regard to the welfare areas.

### **Our systematic review method**

In order to examine the experiences of marketization reforms a systematic literature review was carried out focusing on welfare services in Scandinavia (Konne-rup, 2012). The literature review includes all studies published from 2000 to early 2012 and is limited to Danish and Swedish experiences studies with mar-ketization of nursing homes, day care centers, and home care for the elderly. The systematic literature review covers all studies in the area (both peer-reviewed articles and other studies, reports and analyses) and thereby provides a reliable and broad basis for evaluating the effects of marketization. In this article, a broad-spectrum systematic review method was chosen because the available studies are covering different types of methods (both quantitative and qualitative studies), countries and welfare sectors with varying market settings, institutional contexts and regulatory conditions and this can only be embraced within a broad methodological framework (Gough, Oliver & Thomas, 2012). In accordance with conventional systematic review methods only primary research has been included in the study (Gough, 2004).

The following terms were used in the literature search: privatiza-tion/privatisation, contracting, contracting out, outsourcing, tender, competitive tender, competitive bidding, marketisation/marketization and public, Scandina-via, Denmark, Sweden<sup>2</sup>. To ensure that the literature search was complete and covered all relevant experiences we contacted Danish and Swedish ministries and agencies, research centers, and other professional organizations and asked for relevant publications. Finally, publication lists of a number of Danish and Swedish academics within the area were scanned for relevant publications.

The literature search identified a total of 1,543 articles and reports. The re-sults of the search were recorded in an Endnote database containing title, ab-stract, journal, key words and publication year. Following this, the studies were screened and coded as relevant, maybe-relevant or not relevant for our review of marketization experiences within the three chosen welfare sectors. A total of 91 studies (57 Danish and 34 Swedish studies) were categorized as relevant or maybe-relevant, and full manuscripts for these studies were subsequently ob-tained from the relevant journals and other sources.

The next step was a critical appraisal of the studies found in the screening process. This was carried out on an individual basis by the authors. The full texts were carefully examined to judge its value and relevance to our research ques-tion. In case of borderline cases the authors jointly evaluated the study, and on the basis of this examination it was decided whether to include the study or not. The review includes only studies based on data for comparable public-private units. This includes pre-post evaluation methods where ex-ante data is the refer-ence point of evaluating the private unit, and twin-design evaluations that com-pare private unit(s) with most similar public unit(s).

As a result of our critical assessment of the studies, a total of 18 studies were included in the review. Nine of the studies are Danish and nine studies are Swe-dish. A few of these studies examines both Danish and Swedish experiences and a few studies covers more than one of the three service areas. These studies were

listed under more than one service area and country, which explains why the list adds up to more than 18 studies (see Table 1).

<b>Service sector</b>	<b>Country</b>	<b>References</b>
<i>Home care for the elderly</i>	Denmark	COWI/Erhvervsministeriet (2000)
		Rambøll/Finansministeriet (2000)
		Kommunernes Landsforening (2001)
		Ankestyrelsen (2005)
		Udliciteringsrådet (2006)
		Rambøll/Udbudsrådet (2009)
		Indenrigs- og Socialministeriet m.fl. (2007-2009, 2011)
	Sweden	Blomqvist (2004)
		Socialstyrelsen (2004)
		Finansministeriet (2004)
		Gustafsson og Szebehely (2007)
		Johansson (2008)
		Lindgren (2009)
		Sveriges Kommuner og Landsting (2009)
Statens offentliga utredningar (2011)		
<i>Nursing homes</i>	Denmark	Rambøll/Udbudsrådet (2009)
		Servicestyrelsen (2009)
	Sweden	Rambøll/Udbudsrådet (2009)
		Stolt, Blomqvist og Winblad (2011)
		Gustafsson og Szebehely (2007)
		Johansson (2008)
<i>Day care centers</i>	Denmark	Rambøll/Udbudsrådet (2011)
	Sweden	Blomqvist (2004)
		Rambøll/Udbudsrådet (2011)
		Finansministeriet (2004)

As shown in table 1, most studies focuses on marketization experiences within home care for the elderly, while fewer studies focuses on experiences with marketization of nursing homes and day care. In the following three sections, the findings for each of the three service areas are presented.

### Experiences with marketization of home care

Experiences with marketization of home care for the elderly have been documented in both Sweden and Denmark but our literature review illustrates that the documentation is scarce. Just one study indicates that there are positive economic



effects of marketization of home care (Finansministeriet, 2004). These results, however, build on very few cases and do not include transaction costs and, as a consequence of this, should be interpreted with caution. One study shows that administration costs have increased as a consequence of the introduction of free choice (Sveriges Kommuner og Landsting, 2009). Another study concludes that there is no evidence to conclude that exposure to competition leads to lower costs on home care (Socialstyrelsen, 2004). In relation to delivery of food services there is some indication that private suppliers have delivered a service at lower costs but the studies also show that this could be an effect of a reorganization of the service rather than an isolated effect of marketization (Erhvervsministeriet/COWI, 2000; Udbudsrådet/Ramboll, 2009).

Overall, the studies do not show positive economic effects of marketization in home care. One reason for this could be lack of competition, information deficiencies or a general presence of immature markets. In several studies it is pointed out that there is a need to improve market conditions so that public and private providers can compete on a level playing field. One important market barrier for private providers of home care seems to be the size of the local markets. This is in particular the case in Sweden where competition is hampered by the fact that many Swedish municipalities have a low population density and therefore have less attractive markets for private providers (Finansministeriet, 2004; Ankestyrelsen, 2004b: 6). Other studies conclude that the market could be improved significantly if contracts and agreements to a larger extent took into account the way private companies operate, and thus utilized the potential of private contractors better (Blomqvist, 2004; Lindgren, 2009).

The effects of marketization on the quality of home care have only been documented in a few studies. One study concludes that quality has improved as a result of marketization (Finansministeriet/Rambøll, 2000). In a large survey conducted among Danish municipalities almost 90% of the municipalities had the overall view that the quality had improved after marketization (Kommunernes Landsforening, 2001).

Some studies indicate that user satisfaction among recipients of private home care is higher than among recipients of public home care. In a study by the Ministry of Finance such a conclusion is reached but it is based on relatively few observations (Finansministeriet, 2004). Two other studies conducted by Ankestyrelsen in Denmark reach a similar conclusion based on surveys (Ankestyrelsen, 2004; Ankestyrelsen, 2005). An almost similar user survey conducted in 2009 also shows that recipients of private home care are slightly more satisfied than recipients of public home care (Indenrigs- og Socialministeriet, 2009).

There are, however, also contradictory results. A recent user survey among recipients of personal care showed a higher user satisfaction with public suppliers than private suppliers (Indenrigs- og Socialministeriet, 2011). Another study concludes that there is considerable doubt about how the introduction of free choice in home care has affected user satisfaction (Sveriges Kommuner og Landsting, 2009). One study argues that a fixed price system (an authentication

system which sets a fixed price for the service) can lead to deterioration in quality because private providers are not able to adjust price and quality on a running basis (Lindgren, 2009). None of these studies examine more objectively whether the actual quality of home care has changed as a result of marketization. There is thus very limited evidence of the effects of marketization on the quality of home care services.

There are a few studies which look on the effects of marketization for employees in the home care sector and the results are mixed. Some results indicate that employees who have been affected by outsourcing are less satisfied than before outsourcing. One study shows that employees working with practical help and cleaning services expresses the largest decrease in satisfaction after outsourcing (Udliciteringsrådet, 2006). Satisfaction decreased in relation to salary, working conditions, leadership, workload, career opportunities and influence on working conditions. Another study did not find significant differences in working conditions after marketization (Gustafsson & Szebehely, 2007). Two studies of Swedish conditions show that employee satisfaction is slightly higher among private providers than among public providers, primarily because private employees feel that they have more influence on their work (Finansministeriet, 2004; Lindgren, 2009). Finally, a Swedish study show that the use of private suppliers do not generally lead to lower wages for employees. The study also notes that there is a tendency for private providers to have fewer employees than public providers and a higher pace of work (Socialstyrelsen, 2004).

There are only few experiences with other effects of marketization of home care: security of supply, transfer of knowledge, innovation etc. One study indicates that the free-choice system has led to innovation among suppliers (Lindgren, 2009). This is, however, not supported by concrete examples and empirical evidence concerning innovation is close to non-existing in the literature on experiences with marketized home care.

## **Experiences with marketization of nursing homes**

Studies focusing on experiences with marketization of nursing homes in Denmark and Sweden are typically case studies with limited potentials for generalization. A 2009 report has analyzed the economic effects of outsourcing of four nursing homes in Denmark and two in Sweden (Udbudsrådet/Ramboll, 2009). The study reports cost savings of approximately 16-18% in three cases (Gribskov, Solrød and Kolding Municipality). In the fourth case (Vejle Municipality) it has not been possible to estimate and compare the economic effects of contracting out. The analysis is based on relatively few cases and selection problems, and the calculation of general economic effects is therefore characterized by low generalizability.

In a study from 2009, the use of public-private service partnerships was analyzed (Servicestyrelsen, 2009). The study included two cases. One of the cases showed no significant differences between the public nursing home and the partly private nursing home. In the other case the partly private provider had up

to 20 per cent lower costs than the public provider. This is explained by the fact that the public provider had delivered more services than the citizens had actually been asking for while the private provider had focused on continuous optimization and efficiency. Transaction costs were not measured in the study.

It is not clear in the studies how marketization of nursing homes affects the quality of the service. As a result of this, price – and not quality – is typically playing a dominant role in the analyses of whether marketization leads to better value for money. One of the reasons for this is that it is difficult to measure quality in nursing homes (Statens Offentliga Utredningar, 2011). The end product is difficult to define and operationalize – for example a good and decent life for the users of the nursing homes – which makes it overtly difficult to judge the overall value-for-money delivered by public and private companies respectively.

An exception can be found in a recent Swedish study focusing on the quality of public and private nursing homes. The study shows that the number of employees per resident is on average 9 per cent lower in private nursing homes than in publically run nursing homes (Stolt, Blomqvist & Winblad, 2011). At the same time, the study shows that private providers perform better in a number of areas: 7 per cent more residents actively participate in the development of their care plan in private nursing homes, 26 per cent more residents are every day offered a choice between two or more dishes in private nursing homes, and 15 per cent fewer residents have more than 11 hours between dinner and breakfast in private nursing homes. The authors conclude from this that private providers focus on service elements while public providers focus more on structural factors such as sufficient staffing (Stolt, Blomqvist & Winblad, 2011).

Another study of Swedish experiences with marketization of nursing homes indicates that the quality of care homes is slightly higher among private providers than among public providers (Finansministeriet, 2004). However, the effects are only small and the study concludes that other types of factors than the public-private divide have a greater impact on the quality of the service (size of nursing homes etc.). Like other studies in the area, the study by Finansministeriet is characterized by a limited number of cases – and the study furthermore has a sample bias since mainly positive cases have been chosen for the study.

A Danish study finds no systematic differences in the service quality and user satisfaction between public and private nursing homes (Udbudsrådet/Ramboll, 2009). The study is mostly based on secondary sources and interviews with employee representatives and other stakeholders. Another Danish study from 2009 examines public-private partnerships and user satisfaction in elderly care (Servicestyrelsen, 2009). The study shows that the private providers in a specific municipality (Gribskov) score slightly higher than the public suppliers but the potential for generalization of the results to other municipalities is also in this study deprived by few observations. One Swedish study has analyzed working conditions among employees of both private and public providers in elderly care (Gustafsson & Szebehely, 2007). The study finds no significant differences in working conditions among public and private employees respectively. Similar

results are found in two Danish studies (Servicestyrelsen, 2009; Udbudsrådet/Rambøll, 2009).

Our literature review shows that it is difficult to document any substantial effects of marketization of nursing homes. This is partly due to a lack of comprehensive data and studies. Another possible explanation is that markets are immature and/or not functioning properly. The argument is that entry barriers are making it difficult for private providers to compete on the nursing home market. A Swedish study points out that it is in particular difficult for private providers to enter the market because past experience and solid references play as big a role in assessing the supplier's capability to do the job (Statens Offentlige Utdredning, 2011). Another study indicates that private providers in a few cases have experienced economic losses in the first years of operation because of the complexity of the delivered services (Udbudsrådet/Rambøll, 2009). Overall, however, barriers for marketization of nursing homes and possible solutions to overcome these barriers have until now only been scarcely documented in existing studies.

### **Experiences with marketization of day care centers**

The evidence of cost savings as a result of marketization of day care centers is limited in both Denmark and Sweden. The most comprehensive study of economic effects in the area is a Danish study from 2011 (Udbudsrådet/Rambøll, 2011). The study is based on an economic analysis of 48 public and 29 private day care centers in Denmark and 11 public and 14 private day care centers in Sweden. The overall result of the study is that there is no statistically significant difference between public and private providers in terms of economic efficiency unless an unspecified administrative overhead of 4 per cent or more is added to the public institutions' expenses. In Denmark, the result is somewhat more unclear although there are indications that private institutions could be cheaper than public institutions. This uncertainty is due to a lack of comparative data about the number of infants, the extent of teaching activities and other characteristics which are needed in order to make a full comparison of public and private day care centers (Udbudsrådet/Rambøll, 2011: 10).

The evidence of economic effects of marketization of day care centers in Denmark is primarily based on experiences with free choice reforms whereas the economic effects of contracting out of day care centers have only been examined in a brief single case study (Skovbo Kindergarten, Denmark) (Finansministeriet/Rambøll, 2000:103). In this study, cost savings were not documented. We can thus conclude that evidence concerning economic effects of contracting out of day care centers is generally very limited in both Denmark and Sweden.

Quality effects of marketization of day-care have been analyzed in a few studies and the results are mixed. Two studies show that the proportion of educated staff is highest in public day care centers. This should in theory lead to better day care. At the same time, however, the studies show that the number of children per employee is lower in private day care centers which could indicate

that quality is higher in private day care (Finansministeriet, 2004; Udbudsrådet/Ramboll, 2011). None of the studies have, however, documented whether the observed differences actually leads to different results for children (such as social behavior, intelligence, school performance, etc.) in public and private day care institutions.

A Danish study indicates that parents are more satisfied with private than public day care centers (Udbudsrådet/Ramboll, 2011). 97 per cent of the users (parents) are satisfied or very satisfied while the numbers are lower in public day-care centers (88 per cent are satisfied/very satisfied). This result should, however, be interpreted with caution as parent satisfaction is only measured in 25 out of 77 day-care centers surveyed in the study. In Sweden there has been an intense debate about the quality of private day care centers and private providers have experienced an increased pressure to demonstrate a satisfactory quality (Blomqvist, 2004). This has been difficult to document but studies typically show that the quality in private day care centers is on the same level as in public day care centers (Blomqvist, 2004).

Only one study has systematically examined the consequences of marketization for employees in day care centers in Denmark (Udbudsrådet/Rambøll, 2011). The study showed that the average sick leave for employees in public day care centers in Denmark is 4.4 per cent while the average sick leave in private day care centers in Denmark is 2.7 per cent. At the same time, the study found no differences in employee turnover in public and private day care centers. This makes it difficult to judge whether employees are most satisfied in public or private day care centers. We found no studies documenting employee consequences of marketization of day care centers in Sweden.

## Discussion and conclusions

The article started out from the observation that welfare services in the Scandinavian countries are undergoing a gradual market transformation whereby services that were previously solely or mainly produced by public monopolies are increasingly being exposed to private competition. The rationale behind these marketization reforms is based on neo-liberal and public choice arguments in favor of private contracting and competition which according to marketization advocates should lead to cost savings and enhanced service quality (Savas, 1987; Domberger & Jensen, 1997). The enthusiasm for these ideas about the benefits of increased competition have recently been fed by increasing pressures on public finances which have led governments in Scandinavia to adopt policies that foster markets in welfare services and encourage for-profit providers (Brennan et.al., 2012). As a consequence, competition and contracting out seems to have become a goal in itself in recent years, which might explain why this policy area has become increasingly politicized.

Overall, little generalizable evidence in support of improved cost effectiveness or enhanced service quality was found within the three welfare service areas that were the focus of the article. The review of the existing evidence shows that

the effects of competition between public and private providers in home care to the elderly, nursing homes and day care centers are generally sparsely documented in both Denmark and Sweden. Studies in the area are few, and the existing studies often focus on one or a few types of effects (cost, quality, employee conditions etc.) rather than evaluating the overall effects of marketization. Moreover, the number of cases in many of the studies is low and, as a result, the potential for generalization of the reported results is typically low or non-existent. Based on the systematic review of documented consequences of marketization within three central welfare areas, we find reasons to be less optimistic than neo-liberalists and public choice advocates about the likely outcomes of marketization reforms within the welfare areas in Scandinavia.

Within home care to the elderly we found evidence documenting that exposure to competition has resulted in cost savings. There are a few studies that indicate that the focus on service quality has increased as a result of exposure to competition. One reason for this could be the systematic use of user satisfaction surveys that indicate a slightly higher satisfaction with the private suppliers, which might have led to an increased pressure on the public suppliers to perform better. The studies of marketization of nursing homes indicate that exposure to competition in some cases has led to cost savings. There is, however, no clear evidence that the quality of nursing homes has been improved because of marketization.

Furthermore, the review indicates that there are a number of obstacles for increased competition on the eldercare market in Denmark and Sweden. From a neo-liberal stand point, it could be argued that the full potential of marketization has not yet been unfolded. For-profit providers only account for less than 20 per cent of the market in Denmark and Sweden while this number is substantially higher in liberal welfare regimes such as the UK where the share of private providers is around the 70-80 per cent (Brennan et.al., 2012). In contrast to this, it could be claimed from the perspective of the critical market approach that a fully competitive playing ground is not possible when it comes to complex types of services that are being produced in quasi-markets and that possible positive effects of marketization should have been evident at this stage if they exist at all.

The review of documented results of marketization in relation to day care centers provided somewhat similar findings. There is no evidence documenting that marketization of day care has generally lead to cost savings and the documentation in relation to service quality is also sparse. At the same time, there is no systematic evidence to conclude whether marketization overall has led to improved or worsened conditions for the employees. For-profit providers have a quite limited role in Danish and Swedish day care. This is quite different from liberal welfare regimes, like the UK. Less than 10 per cent of childcare services are operated by private, for-profit providers in Sweden, while the similar share in the UK is more than 70 % (Brennan et.al., 2012). As a result, neo-liberal arguments about unrealized potentials for marketization in this area have been put forward – especially in Sweden<sup>3</sup>. Proponents of a critical perspective of marketization have, however, argued that there is no convincing arguments that market-

ization of childcare leads to cheaper and better services. These discussions have typically been ideological rather than evidence-based, perhaps because there is still very little evidence on the issue.

The general lack of documented differences among public and private providers is a consequence of the widespread lack of studies with a sufficient quality in the field (Hartman et al., 2011). This is a significant finding since it has been claimed in the Danish marketization debate that positive experiences have been documented in Sweden, and that these experiences should be used as a showcase for greater competition for welfare service in Denmark (Udbudsrådet, 2012). The Swedish and Danish studies examined in this article are characterized by many of the same weaknesses in terms of data and methodology as the (mainly Anglo-Saxon) studies reviewed by Boyne (1997) and Hodge (1998) some 15 years ago. However, whereas Boyne and Hodge mainly stressed a lack of documentation in relation to service quality effects and transaction costs, we also found that studies were characterised by insufficient data in relation to economic effects, employee conditions, user satisfaction, innovation and security of supply.

Carrying out high quality evaluation studies obviously requires sufficient data. They can be difficult to obtain not just from private suppliers in the ex-post situation but also from public suppliers in the ex-ante situation. Although only studies that compare public and private units on the basis of empirical data were included in this review, the findings are essentially subject to the same methodological and data limitations as the studies which it builds on. The absence of studies with sufficient data inevitably leads to the conclusion that there is a great need for more and better analyses documenting the overall consequences of marketization of public welfare service in the Scandinavian countries.

The poor documentation of the experiences is somewhat paradoxical given the size of the welfare sectors in Scandinavia. If private providers can in fact deliver improved value for money compared to public provision of the same services, the gains are potentially larger in these countries than anywhere else (and likewise the potential loses if private production turns out to be less efficient). Establishment of more solid evidence regarding the impact of marketization reforms should thus be a main focus of Scandinavian public administration research and is a field of study that has significant potentials in terms of improving future policy-making and expanding the research agenda.

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## Notes

<sup>1</sup> The systematic search for literature included in review was finalized in January and February 2012, which means that studies published after this date are not included in the review. We do, however, include a number of more recent studies in the discussion section of the article.

<sup>2</sup> The following databases were used: Social Sciences Citation Index, Sociological Abstracts, Social Services Abstracts, ERIC (Education Resources Information Center), PILOT Database, Campbell Library and Cochrane Library

<sup>3</sup> A special edition of "Økonomisk Debatt" (2012, nr. 4) was dedicated to a critical and intense debate about the potentials of marketisation of welfare services, including marketisation of childcare. See also Hartman (2011).