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Economic challenges for social services in Europe

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Abstract

Economic challenges for social services in Europe

The economic challenges for social services in Europe mainly depend on how these services will develop in the understanding and behaviour of the EU commission: Will they rather be treated as market-related or not market-related activities? And on what should they focus on in the future?

Economic challenges can be witnessed in all European countries although they are dealt with in different ways. In France, the UK, the Netherlands and Scandinavian countries social services have been regarded as an economic sector ("économie sociale") for some time now or even as an industry sector ("social industry"). Germany and also Mediterranean countries are rather speaking of welfare, still avoiding the use of the terms social economy and social management.

However, this attitude is changing as the literature on social services in Germany has been proving in the meantime. The economic challenges faced at present mean more market focus and better management is called for. It all depends on using this for the benefit of recipients of social services.

Les défis économiques pour les services sociaux en Europe

Les défis économiques pour les services sociaux en Europe dépendent pour l'essentiel de la question comment ces services se développeront dans la compréhension et le comportement de la commission de l'Union Européenne : Traite-t-on ces services plutôt comme des activités reliées ou non-reliées au marché? Et quelle orientation recevront-ils dans l'avenir ?

Les défis économiques sont perceptibles dans tous les pays européens, quoiqu'ils sont traités différemment. En France, au Royaume-Uni, aux Pays-Bas et aux pays scandinaves, les services sociaux ont déjà le statut d'un secteur d'activité (« économie sociale ») ou respectivement même d'une branche industrielle (« social industry »). L'Allemagne, mais également les pays méditerranéens, parlent plutôt d'un système de sécurité sociale et concernant le choix des mots, ils évitent des désignations comme économie sociale ou management social. Mais cette attitude est en voie de développement, comme l'écrit relatif aux services sociaux en Allemagne le montre entre-temps. Les défis économiques visent à plus de marché et à un meilleur management. Il est important d'en profiter pour les receveurs des prestations sociales.

Los desafíos económicos que enfrenten los servicios de asistencia social en Europa

Los desafíos económicos que enfrenten los servicios de asistencia social en Europa dependen esencialmente de como se desenvuelvan estos servicios según el entendimiento y comportamiento de la comisión de la UE: ¿Se les debe tratar como actividades relacionadas al mercado o como actividades no relacionadas al mercado? y ¿Qué dirección deben tomar éstas en el futuro?

Los desafíos económicos son palpables en todos los países europeos. Sin embargo, estos se enfrentan de manera diferente. En Francia, Gran Bretaña, los Países Bajos y en los países escandinavos los servicios de asistencia social ya poseen, desde hace mucho tiempo, el estatus de ser un sector económico (« économie sociale ») hasta ser un sector industrial (« social industry »). En Alemania, como también en los países mediterráneos se habla más bien del bienestar social y se evita así las denominaciones Economía Social y Gerencia Social. Sin embargo, este punto de

vista está cambiando, como se documenta en la literatura sobre los servicios de asistencia social en Alemania.

Los desafíos económicos apuntan a más mercado y en mejorar la gerencia. Lo importante es que se utilice esto para el provecho de los beneficiarios de la asistencia social.

I. Closeness to and remoteness from the market

The economic challenges for social services in Europe mainly depend on how these services will develop in the understanding and behaviour of the EU commission: Will they rather be treated as market-related or non market-related activities? And on what should they focus on in the future?

In European countries, social services understood in the sense of services of common interest, respectively in the sense of services providing for an existence, are in principle offered close to the market or remote from the market. These services are provided by commercial and non-profit, private and public companies but also by welfare associations, by public and municipal social authorities as well as by social insurance institutions. There is hardly an area of life that is shaped in such a

pluralistic way as the sector of social services, and this can be observed for all countries. It applies to the core of social services as well as to the area of overlap with related activities. This is because social services often coincide with educational and health services such as in the case of vocational institutions that aim at rehabilitating young people with handicaps into working life or institutions that aim at integrating handicapped adults into working life, kindergartens, youth centres, youth welfare offices, social services departments, special schools, workshops for the handicapped, nursing services, social services, emergency medical services, hospitals, nursing homes, old people's homes as well as health insurances and public health care.

II. Tendency towards opening the market

When dividing economic challenges in those that are caused by general conditions, i. e. externally determined ones, and in those that are inherent in the set-up of an institution, one can differentiate between market and institutional (business-management) challenges. Concerning the former, social services and accompanying educational and health services have been showing a tendency for some time now to

weaken the solidarity principle in favour of the principle of individualism. This means it is less aimed at social balance but more focus is placed on enforcing individual and competing interests. The fact that the market is opened stimulates competition between the providers of services. For the customers it means that their claims are less serviced, and instead they are increasingly asked to pay fees that are equivalent to the service. In general the role of the customer changes, i. e. their sovereignty as consumers and their choice increases so that they are actually perceived as real "customers" now by the suppliers.

However, the offer of social services is not limited to well-funded customers, just the opposite. The services are primarily received by those who are not well-to-do financially such as unemployed people, those who are under age, handicapped, ill, welfare recipients, orphans, old people, resettlers, refugees, victims of war or otherwise in need of help but they are no longer perceived as being "petitioners". This leads to the conclusion that a regulated competition with mixed financed suppliers and customers will be established.

The business-management challenges are a result of this process of change and

manifest themselves in new strategies and structures of the service providing regulatory authorities, of social authorities, social insurances, chambers and associations as well as of public and private non-profit companies and commercial enterprises.

III. Result: More economised behaviour

The scenario is presaged and not least caused by the financial misery of public households: Social services are being economised. This means that a deregulation of restrictions so far being imposed by the state is likely and that the planned economy management will decrease. Scope for decision-making and room for manoeuvre is opening up, competition is intensified, networks with strategic partners are built, cooperation and mergers are strengthening providers and financiers. Everyone involved is increasingly paying attention to costs and economic efficiency and the orientation towards tasks and offers prevailing so far is making way for services that respond to the sophisticated demands of customers asking for quality.

If social services are to share the same fate as the other public services such as post, telecommunication, transport, electricity, gas, water as well as waste disposal and are marketed at least in part as “services of

common public interest” in the sense of paragraph 16 and 86, clause 2 of the EU treaty of 7 February 1992 in its Amsterdam version of 2 October 1997, then the economisation may lead to commercialisation. The politico-economic EU doctrine is aiming in this direction, also for health and educational services, and is gaining an additional impulse by the WTO treaty on the liberalisation of cross-border services that became effective in 1995 and has since been continuously refined.

This multilateral treaty called GATS (General Agreement on Trade in Services) also applies to social services which are thereby exposed to liberalisation and a more economised behaviour as long as those services are not sovereign duties and the market opening does not threaten public order, the protection of life and health, public safety, etc.. There are numerous indications that these criteria will lead to a dichotomy of social services as well, namely to an administrative warranty and regulation on the one hand and to an entrepreneurial production of goods and services and their output on the other.

IV. Warranty

In the case of social services and public tasks it has in general so far been the rule that the public bodies also administer the tasks. Even in the case of two or more bodies being involved to carry out the task, for instance for planning, building, running and financing of a social institution, the local authority or the state controlled all activities. The principle of subsidiarity made for one exception as it granted primacy to public welfare work. However, legal and contractual specifications provided for the fulfilment of the obligation to provide certain services even in the case of social services provided by the “Arbeiterwohlfahrt” (a German welfare organisation organised in a decentralised way), “Caritas” associations, the social service arm of the Protestant Church in Germany (“Diakonisches Werk”) and other welfare associations, also by the Red Cross or the charity organisation of the Jewish community in Germany (“Zentralwohlfahrtsstelle der Juden”). Those services and institutions were considered in the demand planning and financing of the federal states and local authorities.

As we are now faced with insufficient public funds, with tasks being criticised, with decreasing public engagement, with divestiture as well as denationalisation and intensified competition, “the state” is transforming itself from a legislative and

administrative player to a warranty and negotiation partner. The state remains the body being responsible to perform certain tasks and defines the tasks by regulating how these tasks are being developed and by primarily assigning their implementation to third parties.

V. Regulation

In principle, regulation is planned economy management and supervision of economic subjects that are, however, competing with each other. In this sense, social services act in the context of restricted competition (between monopoly and absolute competition). To which extent market scope can be used by service providers depends on form, scope and level of detail of regulation.

The proportion between the statutory compulsory insurance with pay-as-you-go financing independent of individual risks and voluntary individual insurance has significant influence on the competition between the service providers and the social insurances, such as the statutory health and nursing insurance. The same applies to the form of contract. In the case of limited freedom of contract service providers, health and nursing insurances and

consumers only have limited influence on the kind of services, their definition and financing and are restricted in taking up opportunities offered by the market. There is also an

antagonism between commitment and freedom in the strict planning of demand of supply structures and capacities. However, the goal of a provision tailored to suit the population is still not achieved by the planning of federal and regional authorities. Ultimately, providing structures and capacities slows down free competition between service providers and prevents controlling and regulating demand via performances, quality or the service provided by the suppliers. Cumbersome central planning, extensive and time-consuming application and control modalities as well as the coming undone of planning responsibilities and decision competences cause a considerable uncertainty of planning for the service providers and lead to them making maximum applications no matter the actual demand.

The payment in kind principle is a formative principle of statutory health insurance. It means that patients get payment in kind in exchange for a health insurance certificate, respectively chip card without knowing the costs for the service and their settlement. By

contrast, a procedure that reimbursed the patients for the costs of services received would lead to more transparency and correspond with the equivalent market conditions. In the case of tight regulation of catalogues of benefits and price setting those market conditions are as well not achievable.

VI. Service providers

Social services are provided by service providers of the most different kind. The aforementioned division in administrative and entrepreneurial services indicates that one side is dominated by more organisation, call for tenders, management and supervision and that the other side is dominated by market access, applications, negotiations and execution. If this task allocation is to be further consolidated, as can be assumed, social administrations on the one hand and service providers and financing bodies on the other hand (the latter are in practice often unprofessionally referred to as cost units) will increasingly make use of business management methods and instruments.

The respective assignment of tasks and task fulfilment for all service providers will be deduced from a target system that will have to be developed. In order to do that, first of all the different formal targets such as

- budget balancing, cost recovery or profitability,
- ensuring liquidity as well as
- protection from loss and debts

need to be put into relation amongst each other and also with the individual factual targets such as

- customer orientation
- productivity and
- competitiveness.

These economic formal and factual targets are complemented by social targets, for instance that of being a role-model, building up trust and staff satisfaction. It is essential to fathom interdependencies, to identify benchmarks, to establish target priorities, to provide target corridors, to develop strategies for a mid-term target implementation and to realise them by applying operative measures. Nota bene, social authorities and social companies will in future be faced with such target formulation and strategic questions if they want to attend to their assignment, respectively concern in a contemporary way. In this case, controlling and cost accounting, financial and success planning, budgeting and (internal and external) reporting, human resources management and organisational development, incentive systems and innovation potential will be applied as well.

Neither authorities in the sense of principals nor providers as agents will be able to ignore business management challenges. For instance, the players involved will be considering outsourcing or integrating functions or institutions as well as think about cooperation and concentration. In this context, principals will be negotiating among each other and reach agreements on targets and performance with agents.

VII. Perspectives

Putting oneself in the position of a public, non-profit or private-commercial service provider of social services, it will sooner or later become necessary to deal with the following situations:

Municipal youth and social authorities will increasingly adapt their structure and processes according to the demands of clustered groups of customers and distribute tasks to front and back offices. The service idea will come to the fore. Maybe for certain tasks in relation to refugees, immigrants, resettlers, asylum seekers, severely disabled persons, people in need of care, homeless people or when it comes to care for the elderly and foreigners or to tasks related to

resocialisation certain public law forms of organisation (“eigenbetrieblich”) will be chosen instead of administration through authorities or even “Eigengesellschaften” will be set up (legally independent organisation in which the municipality holds shares) in order to combine professional and resource competences.

It would then be possible to work more independently and with less red tape. Some activities will be transferred to third parties via calls for tender so that it will only be necessary to become active in a participatory and supervisory way in order to secure the execution of tasks. Similar reorganisation measures could be considered on the level of federal states, for instance in relation to workshops for the handicapped, institutions for addicts, temporary accommodation for refugees or communal accommodation for asylum seekers.

For the services, institutions and associations of free welfare work transformation processes can be anticipated. Reference has already been made to the system transformation brought about by liberalisation and competition. Non-profit companies are confronted with companies striving for profit. Moreover, the latter refer to the ban for state aid in accordance with paragraph 87, clause 2 EU treaty and to tax

privileges existing in the law of charities which leads to a distortion of competition. They are therefore insisting on equality before the law and equal treatment. Welfare institutions are faced with the problem in how far they are still able to fulfil their common welfare obligations.

A further change is probably coming about in the form of a transformation of associations. The orientation towards the demands of the consumer asks the associations to give up their previous segmentation (in spite of ideological and confessional resistance) and to serve the market according to products and product groups. Across the boundaries of associations of social services, rescue services, hospitals, old people’s homes, nursing homes, etc. will be formed that compete with commercial enterprises. The term “to form” in this context is used to indicate that a number of organisational alternatives exist, such as strategic alliances, operative cooperation, shared ownership, holding companies and the formation of chains. The changing self-conception and behaviour of managers and staff belonging to a company that pursues economic targets alongside the meta economic ones is accompanied by the transformation of the enterprise. This manifests itself in

focusing on cost and revenue aspects in relation to the procurement of factors, the production of goods and services and the dispensing of products. Commercial enterprises try to differentiate their offers according to customer groups in relation to prices, space and time. They consciously build up a competitive business environment for “social bureaucracies” and social institutions. They diversify in profitable business arms. They prefer the legal form of a public limited company. They attract investors via the stock exchange and review opportunities to establish international corporate structures.

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VIII. Consequences

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