

# **Public/private mix and social innovation in social services, fiscal policy and employment**

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# Question in focus

- the **inter-relationship** between the two issues that are **central to welfare state** and labour market development:
  - the **financing and governance** of social services
  - **employment** in social services (an engine of employment growth in future?)
- **convergence/divergence** of welfare states/ social service regimes in Europe? context of crisis

# Social services and employment

- **new jobs** in social services, care, social work, social security, employment services, community services, and so on.
- **labour market performance:** more employment by facilitating job mediation (matching effect), providing counselling and training (employability gains) and by creating subsidised jobs (lower costs of job creation for those who are disadvantaged in the labour market).
- **services** such as childcare and elderly care help people **balance work and family** life – a higher level of total **employment (women)**.

# Problem in focus

- **First issue: job creation?**
  - the scope/level of employment,
  - quality of jobs
  - sustainability of jobs
- Context:
- **fiscal consolidation** and fiscal sustainability
- changing **governance** (public-private mix): **regulation, financing, delivery**
- **innovations** in social services

# Methodology

- Theoretical streams:
  - **welfare state** theories
  - **economics** of the welfare state and **public finance**
  - **governance** in social services and innovations (in their regulation, financing and delivery);
  - **labour market theory**, employment issues
- Aggregate **data 2000-2010** - EU wide,
- **country case studies** - CZ, DK, GER, UK: four welfare regimes

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## **Employment in social services: long-term demand drivers**

- changing employment patterns (women's roles, **labour market participation**, (balancing work-family, gender division of labour, family formation (***women's role revolution***))
- **demand shift** towards services - *broadening purchasing power throughout the population (role of income differentials: demand of the rich meets supply by the poor in theory x reality? )*
- **ageing** of population

# Employment in social services: long-term demand drivers

- **new social risks** (dynamic labour market/empl services, reconciliation work-family/frail elderly - care services, social exclusion - social inclusion services)
- **path dependency of WS** development, hypothesis of timing: social service development in times of expansion of WS (Bonoli, Vanhuysse&Tepe), changed context
- when social services are easily accessible and provided with good **quality** – an **additional demand** Lipsky (1980: 35)
- *service dependency ?*

# Long term supply drivers

- Baumol: (argument): **productivity growth in the service sector** is slower when compared to manufacturing:
  - if wages in services are tightly coupled with wages in manufacturing, private service production will contract Baumol's disease and employment expansion will be slowed down
  - employment growth if services were produced by government, or consumers were subsidised to purchase the services

## Long term supply drivers

- ***possible responses to Baumol***  
*to adjust labour cost (allow market cleaning), but shrinking labour supply*  
*to adjust earnings in services to overall economy earnings – but shrinking labour demand*  
*to subsidize (public) services*
- **technical complexity** of the provision of social services (health and welfare technologies)

# Short-term supply drivers

- **Political business cycle** (electoral gains):
  - Public fears about novel economic changes (**security/compensation thesis**): social services employment as buffer against uncertainty/unemployment risks
  - Role of public deficits as political agenda (**efficiency thesis**)
  - User **profile of the clients** (middle class is interested), vested/**professional interests** (employees' and employers' coalition in HEW)
- **Governance reforms** (new urgencies): marketisation, PPP, NPM, network management (+ESF projects) – need of coordination, project management, case work

# Employment in SS 2000-2010

- health and social services sector in 2010: in average **6% employment rate** in the EU
- **increased** in last ten years by 0.7 percentage points
- **differences among EU countries are remarkable** (from 14% in Denmark to 2.7% in Romania)
- **crisis in 2008-2010 did not change much** on the continuous growth of employment in health and social services
- 78% of employment in HSW are **women**
- **growing older**: in 2010 overall 26.5 % workers older than 50 years while in HSW it is 30.3 %

# Employment in SS 2000-2010

- **first cluster:** countries where employment rate is between 10.6% to 14.0% (Sweden, Finland, The Netherlands and Denmark)
- **second cluster:** countries where employment rate is between 8.4% to 9.1% (Belgium, France, Germany and UK)
- **third (North-West) cluster:** between 6.1% to 7.7% (Luxembourg, Austria and Ireland)
- **large South-Central-East cluster** employment rate in social services is between 2.7% (Romania) and 4.8% (Portugal)

# Employment rate HSS (+ GOV)

	<b>HSS + GOV 2010</b>	<b><i>Change 2000-2010</i></b>	<b>HSS 2010</b>	<b><i>Change 2000-2010</i></b>
<b>Denmark</b>	<b>18,4</b>	<b>0.6</b>	<b>14,0</b>	<b>0,7</b>
Netherlan ds	17,1	2.3	12,3	3,4
Finland	13,9	1.1	11,2	1,8
Sweden	15,6	-1.4	10,6	-2,7

# Employment rate HSS (+ GOV)

	<b>HSS + GOV 2010</b>	<b><i>Change 2000-2010</i></b>	<b>HSS 2010</b>	<b><i>Change 2000-2010</i></b>
Belgium	14,1	0.7	8,4	1,2
<b>Germany</b>	<b>13,9</b>	<b>2.0</b>	<b>8,6</b>	<b>2,1</b>
France	14,8	2.6	8,4	1,9
<b>UK</b>	<b>13,8</b>	<b>1.6</b>	<b>9,1</b>	<b>1,3</b>

# Employment rate HSS (+ GOV)

	<b>HSS + GOV 2010</b>	<b><i>Change 2000-2010</i></b>	<b>HSS 2010</b>	<b><i>Change 2000-2010</i></b>
Luxembourg	13,7	1.7	6,1	1,0
Austria	11,9	2.2	7,0	1,6
Ireland	11,2	2.9	7,7	2,5

	<b>HSS + GOV</b>	<b>Change</b>	<b>HSS</b>	<b>Change</b>
	<b>2010</b>	<b>2000-2010</b>	<b>2010</b>	<b>2000-2010</b>
Malta	9,5	1.2	4,6	0,6
Portugal	9,2	0.9	4,8	0,9
Czechia	8,9	0.7	4,5	0,6
Spain	8,8	2.3	4,3	1,3
Slovakia	8,8	0.5	4,0	0
Greece	8,5	1.6	3,3	0,7
Cyprus	8,4	0.1	3,0	0,5
Hungary	8,2	0.7	3,7	0,1
Slovenia	8,0	0.9	3,9	0,6
Estonia	7,9	1.7	3,5	0,6
Italy	7,7	-0.3	4,1	0,8
Bulgaria	7,5	1.0	3,1	0,1
Lithuania	7,5	0.4	3,9	0
Poland	7,4	0.8	3,5	-0,1
Latvia	6,9	<b>-0.4</b>	2,9	<b>0,1</b>
Romania	5,8	<b>0.9</b>	2,7	<b>0,6</b>

# Examination of the factors shaping employment in SS, 2000-2010

- **Financing of the welfare state** (government receipts, tax on labour, social protection expenditure, social protection expenditure in kind)
- **Demographic** (ageing of population – old age dependency, fertility rate)
- **Political-business cycle** (proxy variables - GDP growth, public deficit, unemployment rate total, men, women)
- **Employment pattern/modernization** (employment rate total, men, women)
- *Static (values) + dynamic (change in values) view*

# Findings: factors of employment growth in SS

- 1 employment rate in social services is **stably and strongly** correlated with three kinds of variables : **financing of the welfare state (receipts, exp), overall employment rate and fertility rate**
- **2 moderate** correlation with the variables which characterize labour market performance like **unemployment rates, empl rate women, men**
- 3 ? **GDP growth, public deficit**, O-A dependency
- The above pattern **changed only little** during time

# Factors – key findings

Correlation coefficients PE	with the variable Employment rate in health and social services		
	<i>Strong &gt; 0.66</i>	<i>Moderate &gt; 0.33</i>	<i>Weak, insignificant</i>
<b>2005</b>	Social Protection Expenditure in Kind (.814) **	Employment rate men (.528) ** GDP growth (-.415) *	Unemployment rate men
	Social Protection Expenditure Total (.720) **	Public Deficit (.488) * Unemployment rate women (-.405) *	Old Age Dependency
	Total government receipts from taxes and soc.contr. (.776)**	Unemployment rate total (-.411) *	
	Employment rate total (.745) **		
	Fertility rate (.799) ** Tax on labour (.680) ** Employment rate women (.690) **		

# Factors – key findings

Correlation coefficients PE	with the variable Employment rate in social services ( <b>narrow definition</b> )		
	<b>Strong &gt; 0.66</b>	<b>Moderate &gt; 0.33</b>	<b>Weak, insignificant</b>
<b>2005</b>	Social Protection Expenditure in Kind (.786) **	Tax on labour (.646) ** <b>Employment rate women (.627) **</b>	Unemployment rate men
	Social Protection Expenditure Total (.739) **	<b>Employment rate men (.547) **</b> <b>GDP growth (-.422) *</b>	Old Age Dependency
	Total government receipts from taxes and soc.contr. (.787)**	<b>Unemployment rate women (-.405) *</b>	
	<b>Employment rate total (.739) **</b>	<b>Unemployment rate total (-.411) *</b>	
	<b>Fertility rate (.807) **</b>	<b>Public Deficit (.396) *</b>	

# Factors – key findings

Correlation coefficients PE	with the variable Employment rate in social services		
	<i>Strong &gt; 0.66</i>	<i>Moderate &gt; 0.33</i>	<i>Weak, insignificant</i>
<b>2010</b>	Social Protection Expenditure in Kind (.840) **	Employment rate women (.637) **	<b>Public Deficit</b>
	Social Protection Expenditure Total (.807) **	Employment rate men (.636) **	Old Age Dependency
	Total government receipts from taxes and soc.contr. (.798)**	Unemployment rate women (- .502) *	
	Employment rate total (.748) **	Unemployment rate total (- .472) *	
	Tax on labour (.670) **	Unemployment rate men (- .426) *	
	Fertility rate (.674) **	<b>GDP growth (.391) *</b>	

# Factors – key findings

Correlation coefficients PE	with the variable Employment rate in social services ( <b>narrow definition</b> )		
	<i>Strong &gt; 0.66</i>	<i>Moderate &gt; 0.33</i>	<i>Weak, insignificant</i>
<b>2010</b>	Social Protection Expenditure in Kind (.853) **	Employment rate women (.677) **	<b>Public Deficit</b>
	Social Protection Expenditure Total (.780) **	Employment rate men (.574) **	Old Age Dependency
	Total government receipts from taxes and soc.contr. (.782)**	Unemployment rate women (- .482) *	Unemployment rate men
	Employment rate total (.741) **	Unemployment rate total (- .412) *	
	Tax on labour (.690) **	<b>GDP growth (.383) *</b>	
	Fertility rate (.747) **		

# **Job quality in social services as a problem**

- **Wages in HSW sector grew more slowly** than in other parts of the economy and are in most EU member states **below average wage in the economy**
- *Although skill levels are relatively high and working conditions are often demanding*
- **Sufficient labour supply** in future ??
- **Above average job quality** in cognitive demands on jobs, job complexity, learning new things, monotony of the job + job security
- But **lower level of job autonomy, higher psychical and physical health risks**

# Time schedule 2010 - EWorkCS

<i>Sector</i>	Night work	Work shifts	Changing schedule	Infectious material	Lifting/ moving people
Industry	14.5	17.7	30.4	9	2.6
Services	16.2	17.4	36.4	4.6	2.7
<b>HSW</b>	<b>27</b>	<b>32.8</b>	<b>43.4</b>	<b>45.8</b>	<b>32.7</b>
<b>Total</b>	<b>15.9</b>	<b>17</b>	<b>34.1</b>	<b>11.3</b>	<b>8.8</b>

# Health consequences 2010 - EWCS

Sector	Stress	Insomnia, sleeping difficulties	Depressi- on, anxiety	Physical violence	Fatigue
Industry	65	16	7	0.4	35
Services	69	17	9	1.4	35
HSW	73	22	10	7	38
Total	66	18	9	1.9	36

# Current and future problems

- a) the labour force in the HSW sector is rapidly **ageing**; (more than 30% over 50y)
- b) the younger generations of workers in HSW **less often have a high level of education** when compared to the older generations (structural change);
- c) workers with a medium level of education are usually **NOT specifically educated in health and welfare**
- d) risk of lack of manpower despite high levels of unemployment, due to **demanding working conditions and low job quality**

# Current and future problems

- There may be **two worlds of social services** emerging:
- 1) the world of **formal, more standardized, high quality services** provided by a relatively highly qualified workforce;
- 2) the world of **hidden, semi-formal, unknown quality services** provided by less qualified people who are often neighbours or immigrant workers.
- **North/West versus South/East division?**

# Policies: financing

- **Sustainable financing is a necessary condition** for employment in social services (stable revenue within a decided tax-structure, ability to finance social services given the changes in the global economy and over the business cycle: limits to deficits, surpluses in times of prosperity, broadening tax base: green taxes, taxing property)
- In the EU the **tax systems have not become more sustainable** in the last 10 years – this implies a higher level of pressure on the financing of the welfare states

# Social Innovations

- Social innovation plays an **increasing role** in social services, especially when understood and implemented **as systematic change**
- This includes several **elements**:
  - focus on consumers needs and service quality standards;
  - mobilising resources and combining different ways of financing social services – public and private;
  - participation of a broader range of actors and synergy of their actions.

# National case studies: convergence?

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
Empl rate	73.4	65.0	71.1	69.5
Empl rate women	71.1	56.3	66.1	64.6
Child empl penalty	..	41.0	16.0	21.1
Employment rate HSS	14	4.5	8.6	9.1

# National case studies: convergence/divergence?

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
Empl share HSS	19.1	6.0	12.1	13.2
Empl share HSS	12.8	2.0	5.9	6.7
Wage level to manufacturi ng sector	22.5	- 7.1	19.0	- 4.7

# National case studies: convergence/divergence?

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
Empl share residential care	4.6	1.2	2.7	2.5
Empl share social work	7.5	0.7	2.3	3.4
Empl share empl serv	0.7	0.1	0.9	0.8

# National case studies: convergence/divergence?

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
Public Exp childcare	1.4	0.4	0.5	1.1
Public Exp eldercare	4.5	0.81	1.43	1.97
Public Exp ALMP,PES	1.79	0.35	0.94	0.39

# Regulation

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
<b>Universalism vs. Targeted service</b>	Explicit universalism, services as a right	Targeted services	Shift to universalism, accessibility/ cost problems	Targeted services, some shift to universalism
<b>Quality standards</b>	Strong regulation	Medium to weak regulation (x childcare)	Medium regulation , variable (decentr.)	Medium to weak regulation
<b>NPM methods</b>	Responsible public governance	Not applied; bureaucratic	Selective application (PES)	Strong application
<b>Choice for clients</b>	High emphasis , free choice model	Low emphasis (declared only)	Medium emphasis	Medium emphasis

# Financing + delivery

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
<b>User fees</b>	Rather low	Rather low, high in private facilities	Medium and variable (decentr.)	Rather high (x PES)
<b>Targeted financial support</b>	Very accessible and generous	Less accessible, rather low, selective	Less accessible (selective), medium level	Rather accessible, low to medium level
<b>Marketisation and regulation</b>	Medium, strongly regulated (fixed price)	Rather strong, least regulated	Strong, regulated (fixed price)	Very strong, less regulated
<b>Innovation</b>	Systemic approach,	Partial attempts (ESF projects)	PP mix in delivery, fin, mixing formal-informal	PP mix in delivery, fin, mixing formal-informal

# Outcomes

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
<b>Coverage/ accessibility</b>	Very high in all fields	Rather low (elderly care – medium)	Medium, increasing in care services	Medium in LTC and in childcare, low in employment services
<b>Price/cost of service for the clients</b>	Mostly low	Mostly high (except childcare 3-school age)	Medium to high	High (except employment services)
<b>Quality of service</b>	Workloads low	Workloads medium in child+elder care, high in empl services	Workloads medium	Workloads high in childcare, medium in elderly care, medium to high in empl services

# Common trends

- **modernisation** of the welfare state - more emphasis on services than on transfers, except in the Czech Republic, empl growth by 20%
- towards **universalism**, 'right' to service for citizens (DK, GER)
- role of state **public administration in regulation and financing** (prices and quality of service)
- **market competition** is the binding principle
- **public-private mix**, not only in service delivery, but also in the mixing of resources
- individualisation of services and **empowerment** (choice)
- **innovations** in social services concerning access, quality, modes of financing and delivery

# Typology

- **Denmark:** 'regulated, social investment welfare mix',
- **UK:** 'regulated marketiser',
- **Czech Republic:** 'unregulated marketiser'
- **Germany:** 'regulated modernising welfare mix'
- similar typologies – Pollitt and Bouckaert (2000) and Ahonen et al. (2006): distinguished 'marketisers' and 'modernisers' in social services, also van Berkel et al. (2012).
- addition of the 'regulation dimension' (Soskice)

# Typology

	<b>DK</b>	<b>CZ</b>	<b>GER</b>	<b>UK</b>
Modernisation (divergence?)	Strong	Weak	Medium	Medium
Regulation (divergence?)	Strong	Weak	Medium/ strong	Medium
Marketisation (convergence)	Medium	Medium/ strong	Medium/ strong	Strong

## Future scenario: **high road**

- **sound and sustainable public finance**  
(balanced public finances, with reasonable public expenditures), **no strong attacks on the welfare state**
- **sufficient public expenditure on social services** and the active role of social services as social investment measures
- **strong role of the state in regulating and financing social services**
- **social innovations** in social services embedded in broader **governance reforms**

## **Future scenario: high road**

- **important role of quality standards in social services**
- **rapid growth of employment in social services**
- **higher quality of employment in social services**
- **higher employment rates** of women, higher employment rates in general (i.e. lower unemployment rates), low child employment penalty
- **less diverse conditions and access to social services**

## Future scenario: **low road**

- **uncertain public financing** of social services due to either increasing public debt and unsustainable public finances (like in some South-European countries), or an **attack on the welfare state** (like in some Central-East European countries)
- **low public expenditure on social services** and a limited role of social services as a buffer against unemployment or social investment measures
- **limited role of the state in regulating** and financing social services

## Future scenario: **low road**

- **lack of social innovation** in social services
- limited quality standards in social services
- **slow growth of employment** in social services
- **lower quality of employment** in social services
- **lower employment rates** of women, lower employment rates in general (i.e. higher unemployment rates), **considerable child employment penalty**, poor work-family balance
- **dualisation of social services** in terms of quality, access and employment characteristics

# Summary of key findings

- **Strong path dependency** in WS model established – financing and employment patterns matter
- **Employment growth** in SS: **positive correlated** with WS finance, overall employment, fertility rate, GDP growth
- **Maturation of the revolution of gender roles** (gender order)
- **Ageing** of society will matter in future more
- **Two (three) possible scenarios**: low road, high road, **mixed** strategy (GER, UK)

# Policy implications

- **Sound, sustainable public finance necessary**  
(budget deficit limited, expenditure + revenues, tax base and tax structure)
- **Private funding** plays an increasing role
- State governance and **regulation is essential**  
(quality standards, prices, choice)
- **Social innovations as systemic** change  
(consumer focus, mix of resources, a.o.)
- **Politics matters** – commitment to social investments

**Thank you for your attention**