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Privatization of social services: Quality differences in Swedish elderly care

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ABSTRACT

One of the major policy trends in recent decades has been the privatization of social services. This trend has also reached Sweden, a welfare state with health care and social service sectors that previously had almost no private providers. One of the most affected areas is elderly care, i.e. home-help services and residential care provided to citizens older than 65 years, where the proportion of private providers increased from 1% in 1990 to 16% in 2010. The ongoing privatization in Sweden and many other countries has raised important questions regarding the consequences of this policy transformation. In this paper, we present a cross-sectional study comparing the quality of services in private and public elderly care. Using statistics from 2007 displaying a variety of quality dimensions covering over 99% of all elderly care residents in Sweden, we were able to show that privatization is indeed associated with significant quality differences. Structural quality factors such as the number of employees per resident was significantly smaller (−9%) in private elderly care. On the other hand, the proportion of residents participating in the formulation of their care plan (+7%), the proportion of elderly with a reasonable duration between evening meal and breakfast (+15%), and the proportion of elderly offered different food alternatives (+26%) were significantly in favour of private contractors. Our conclusion is that private care providers seem to emphasize service aspects rather than structural prerequisites for good care.

Introduction

The privatization of public services is often associated with neo-liberal regimes with the ambition to reduce public expenditure and enhance efficiency. Such reforms imply a fundamental shift in the balance between the public and private sectors and are consequently often heavily debated. Advocates of privatization typically argue that public institutions are ineffective and wasteful, and that the private sector, with competing firms and decentralized authority, is a better way to organize provision of public services (Dahlgren, 2003; Megginson & Netter, 2001). Critics, on the other hand, stress that there is a substantial risk that private entrepreneurs will prioritize economic revenue over quality of services (Andersson, 2002; Prizzia, 2001). Nevertheless, in many Western welfare states, the preceding decades have been characterized by an increasing trend of privatization in the public sector regardless of political regime. In Sweden, well-known for its extensive welfare system, this development is particularly evident as it represents a clear break with previous policies that strongly favoured the public provision of social services (Blomqvist, 2004). One of the areas in which privatization efforts have been particularly notable is elderly care, where the proportion of care services provided by private entrepreneurs increased from 1% in 1990 to 14% in 2008 (Stolt & Winblad, 2009) and 16% in 2010. In Sweden, non-hospitalized elderly care is mainly divided into home-help services and institutionalized residential care. Here, the term special housing accommodation is used for institutional care for elderly people (over 65 years) including all forms of residential care, both residential homes for the elderly and nursing homes.

In this article we draw on the Swedish experience to analyse quality differences associated with privatization in residential care for the elderly. To date, many empirical studies on this issue have concerned cost effects. In contrast, attempts to define and characterize the effects of privatization regarding different aspects of quality of care have been fewer and less successful (Hodge, 2000). There is still broad disagreement in the literature on how quality should be measured and what the likely consequences of privatization in this regard are (Boyne, 1998; Brown & Potoski, 2003). Some studies claim better quality under public management, while others assert the opposite. In this paper, we contribute to the knowledge regarding privatization in social care with a study of observational cross-sectional design based on quality indicators covering the vast majority of all special housing accommodations in Sweden 2007. The main questions asked were whether any

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significant quality differences could be found between private and public residential homes and, if so, what characterizes these differences? We also analysed the influence of privatization on public elderly care, hypothesizing that there should be significant quality differences between public units exposed to competition and those not exposed to competition. The paper starts with a theoretical section concerning the ongoing trend of privatization, its consequences and a review of the care quality concept followed by an empirical section focusing on public/private quality indicator differences in Swedish elderly care. The paper ends with a concluding discussion.

Contracting and privatization in the public sector

Contracting has been suggested to be the most common way of introducing market mechanisms and private alternatives in the public sector (Domberger, 1998; Young, 2000) and can thus be said to be the major mechanism behind privatization. Contracting is typically referred to as a practice whereby public agencies delegate the task of providing public services to private organizations in exchange for financial reward (Walsh, 1995). The contracting procedure is of special interest in the Swedish case, in which the term *privatization* in elderly care is used synonymously with *contracting out* services to private providers. Privatization in a more narrow sense, meaning a transfer of publicly funded to privately financed elderly care, is still very rare in Sweden.

The introduction of various forms of contracting practices in many countries during the past two decades reflects the widespread influence of ideas known as New Public Management (NPM), which stresses that the public sector is inferior to the market in its capacity to produce cost-efficient services due to the lack of competition and incentives for cost reduction (Hood, 1991). Hence, a key goal behind contracting is to introduce competition and thereby offer alternatives to the monopolistic public sector provision of services. It is widely believed among policy makers that competition in this form will lead to positive effects in terms of both costs and quality (Donahue, 1989; Savas, 2000, 2005). Competition is also hypothesized to increase benchmarking and learning effects, not only between public–public and private–private units, but also between public–private units. Successful (or failing) units will serve as examples and influence other units to introduce (or remove) similar strategies in a continuous process of measuring services and practices against the toughest competitors leading the market (Kouzmin, Löffler, & Klages, 1999). Indeed, measuring care quality and comparing providers' performance has emerged as the most hopeful strategy for holding entrepreneurs accountable for the care they provide (Mor, Angelelli, Gifford, Morris, & Moore, 2003). Other examples of potential advantages of private contractors include improved efficiency through a more flexible use of labour, a wider array of incentives and penalties for workers, and more transparent lines of accountability (Schmid, 2003).

Contracting policies have also been questioned and criticized. While some studies have documented cost savings as a result of contracting (Savas, 2000; Vining & Globerman, 1999), others have found no such effects (Bel & Warner, 2008; Boyne, 1998; Hodge, 2000). It has particularly been questioned whether the potential for cost savings through contracting and competition is as great in the "softer" areas of public service, like health care, social care and education, where performance measurement is notoriously difficult, compared to sectors like garbage collection and public transportation, where most studies documenting cost effects have hitherto been carried out (Johnston & Romzek, 1999). Criticism toward contracting often concerns the effects on the quality of provided services. A tendency to prioritize price rather than quality in the tendering procedure raises questions regarding the preservation of quality standards. Several studies indicate that quality can indeed be sacrificed in the pursuit of cost reduction, especially if contractors are for-profit (Amirkhanyan, 2008; Comondore, Devereaux, Zhou, Stone, Busse, Ravindran et al., 2009). It is argued that this risk is particularly salient in the case of services whose quality dimensions are difficult to measure. A related problem is that the regular recurrence of tendering processes, essential to maintain a competitive market, risks jeopardizing quality aspects such as continuity of care with regard to staffing and routines. Another problem for quality preservation that has been mentioned in the literature is that public agencies often lack the necessary monitoring capabilities (Bel & Warner, 2008; Hefetz & Warner, 2007). Furthermore, it has been hypothesized that privatization will undoubtedly lead to decreased transparency and a loss of democratic accountability. In contrast to public providers, private contractors are often exempted from obligations regarding principles of openness and public access to documentation (Schmid, 2003).

In conclusion, it seems that there is still little agreement over the effects of privatization in social services. While most authors agree that these services are different from other public sector services due to their intimate character, high staff density and high monitoring costs, the effects of contracting on cost-effectiveness and/or quality remains unclear.

Privatization of Swedish elderly care

The Swedish elderly care system covers all citizens regardless of income, insurance or other personal circumstances, and provides comprehensive medical and social services. The system can be described as relatively formalized in that services are regulated, financed and in most cases provided by the public sector. The state rather than the family or the market is seen as the main actor responsible for care of the elderly (Trydegård, 2000). Privately funded elderly care is still very rare in Sweden. Also, voluntary non-profit organizations, which play an important role in providing services for the elderly in other Western countries, for instance Germany and Great Britain, play only a minor role (Trydegård, 2000). Formally, the provision of elderly care services in Sweden is the responsibility of local governments, the 290 municipalities, where elected social welfare committees delegate the assessment of needs to a so-called care manager who decides how many, how often and what kind of services the elderly are entitled to. Home-help services are often the first choice while residential care in special housing accommodations is seen as the last resort. Residential care in special housing accommodations can imply either so-called service apartments, whereby the elderly rent apartments where they can receive help in the form of social and personal services in response to varying needs, or nursing homes, which can provide extensive medical supervision and care. In 2008, 6% of all elderly people (over 65 years of age) lived in residential special housing accommodations compared to 10% receiving public home-help (NBHW, 2009).

A strained financial situation in the municipalities throughout the 1990s as a result of the economic recession led many local governments to start experimenting with new forms of organization, such as purchaser-provider separation, competition and various forms of partial privatization as means to renew the public sector. The privatization of elderly care in Sweden has foremost taken the form of contracting out services, which means that provision is privatized while financing and regulation are still municipal responsibilities. Contracting in this sector takes the form of competitive tendering through closed bidding, whereby a winning bid is selected on the basis of a combination of price and quality criteria. In some cases the price is fixed by the municipality and the entrepreneurs compete