Effects of privatization and agencification on citizens and citizenship: an international comparison

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About COCOPS

The COCOPS project (Coordinating for Cohesion in the Public Sector of the Future) seeks to comparatively and quantitatively assess the impact of New Public Management-style reforms in European countries, drawing on a team of European public administration scholars from 11 universities in 10 countries. It will analyse the impact of reforms in public management and public services that address citizens’ service needs and social cohesion in Europe. Evaluating the extent and consequences of NPM’s alleged fragmenting tendencies and the resulting need for coordination is a key part of assessing these impacts. It is funded under the European Commission’s 7th Framework Programme as a Small or Medium-Scale Focused Research Project (2011-2014). For more information see www.cocops.eu

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Overview of findings

This study has been compiled as an internationally comparative contribution to the parliamentary inquiry by the Dutch Senate into the effects of privatization and agencification on the relationship between citizens and the (national) government. Knowledge on this topic is scarce and scattered across different sources. Therefore, this paper consists of three different sections. Each section deals with a different question and uses different sources. In this overview we summarize the main findings of the three sections.

In section 1, we go into the unique focus of the parliamentary inquiry: the effect of privatization and agencification on the relationship between citizens and government. This is not only a unique focus, but the fact that the study is undertaken by Dutch parliament is also unique. A quick scan among foreign experts shows that there are no similar studies in other countries, neither by parliament nor by other parties, except for one German study by a civil servants association (see section 1 for details).

Academic research into agencification and privatization often pays attention to the effects for citizens as the customers of public services, but hardly ever to effects on the relationship between citizens and government. Recent findings related to the democratic deficit and the rise of new, horizontal accountability mechanisms may touch upon citizens' interests but there are too few findings to draw firm conclusions.

Section 2 is based on an analysis of evaluation studies by governments, audit offices and academics into public management reforms. The creation of agencies is only one type of such reforms; 72 out of 500+ reports deal with agencies. There are two central questions in this section: what do we know about the effects of agencification in different countries, and is there a difference between effects in The Netherlands and other countries?

Unfortunately, many evaluation reports lack in details and specifics about agency performance and realization of objectives, in part because objectives were often not set at the time of agency creation. Therefore, there is no comprehensive or clear conclusion about the effects of agency creation. Some studies report improvements, others report deteriorations or no changes in for example steering and control by parent ministries, organizational stability, agency management and functioning.

Relatively little is known about 'democratic effects' of agency creation. There are but a few reports that pay attention to this topic, for example when they investigate issues such as accountability and transparency. Table 2.1 lists a number of findings from different studies, which shows that although agencification is an international trend, there are no general patterns as to the effects and outcomes thereof.

Section 3 shows how the Dutch experiences with liberalization, privatization and agencification in a range of public domains compare to experiences in other (EU15) countries.
Data were collected at different points in time and should therefore be treated with some caution. However, there are some general patterns that can be identified.

The Netherlands are one of the forerunners in liberalisation and privatization in Europe (measured in 2007). However, Dutch citizens are not very satisfied with most of these public services (measured in 2006). Prior to a number of decisions to liberalize or privatize services, Dutch citizens expected positive effects on the quality and price of such services (measured in 1997), except for energy and gas. This could mean that citizens have been disappointed, or that services were already of good quality before privatization or liberalization.

In case of a number of social services, like employment services or care, the Dutch appreciate the affordability and quality of such services (measured in 2010), and the fact that these are still services for which government is responsible; they do not favour the responsibility for such services being delegated to non-government organizations.

Citizen trust in the government is generally fairly high in the Netherlands compared to other European countries, almost twice as high as the EU-average (measured in 2011). Similar findings are observed for trust in parliament.

In sum, our analysis of the international (academic) literature on agencification and privatization shows that there has been little attention so far for 'democratic' effects of agencification and privatization, i.e. for citizens. This underscores the relevance of the Dutch parliamentary inquiry. Most studies focus on other issues, or look at effects for citizens as customers of public services. There are no apparent patterns in customer effects though; in some cases public service delivery has improved, in other cases not. This can partly be blamed on the lack of clear objectives that were set at the time of agencification or privatization, and perhaps also partly to the quality of service delivery prior to that decision. Anyway, there is no clear case to be made that agencification or privatization will automatically lead to better public service delivery.
Section 1 International comparison

Sandra van Thiel

In this section we investigate two questions. First, have similar studies like the Dutch parliamentary inquiry been carried out in other countries, and if so what were the results? And second, what can we learn from academic research into agencification and privatization regarding the effects on the relationship between citizens and the government?

1.1. Parliamentary inquiries in other countries

A quick scan among fifteen international experts\(^1\) shows that the Dutch parliamentary inquiry is a unique study, with a unique research question. A similar study has not yet been undertaken in other countries. This was confirmed by experts from Denmark, Australia, Ireland, Italy, France, Croatia, Czech Republic, Slovakia, Estonia, and Hungary.

In some countries, parliaments have undertaken studies into the topic of agencification and/or privatization but with a different angle, for example into the effects or effectiveness of competition, the number of privatizations and agencifications, evaluations of privatization and agencification programmes, the need to undo privatization and agencification, and changes in tariffs and quality of public services for customers. The UK parliament is probably one of the most active parliaments on this topic, as they have published several reports on agencification (or quangos as they are often referred to).\(^2\) Moreover, annual performance reviews of the Next-Steps Agencies allow members of parliament to scrutinize agency performance in close detail and in direct contact with agency CEOs. The Swiss parliament has recently commissioned a study into the privatization of Swisscom, SBB railways and the Swiss Postal service (report January 2012, in German). In Norway, a study was carried out about the relationship between the introduction of market type mechanisms and democracy (report in Norwegian only, titled 'Makt- og Demokrati Utredingen' 2003). And in Sweden several studies have been carried out by a range of committees, in some cases including some members of parliament, on for example the Constitutional position of agencies and the application of management by objectives.

Only in one country was a study published into the effects of privatization and agencification on the relationship between citizens and government, namely in Germany, but

\(^1\) The Cobra network is an international network of academics, who study agencification. Participants from almost 30 countries have participated in this network. From 2007 to 2011 the network received funding from the EU COST ACTION programme, grant number IS0601. The research findings were published in 2012 in a large edited volume "Government agencies: practices and lessons from 30 countries" (edited by Verhoest, Van Thiel, Bouckaert & Laegreid, and published by Palgrave MacMillan). See [www.soc.kuleuven.be/io/cost](http://www.soc.kuleuven.be/io/cost) for more information.

this study was not commissioned by parliament but by the national German Civil Service Organization (DBB Beamtenbund und Tarifunion, 2011: p. 47-52). In this survey, citizens were asked about their opinion about privatization and agencification of a range of public services. The average German citizen supports a strong state (78%), does not want to privatize or agencify tasks such as police (98%), education (82%) and hospitals (65%), but would support privatization or agencification of energy delivery (41%), public transport (49%) and cultural tasks such as museums or theatres (54%). Privatization of the postal and telecommunications services has improved their performance according to the German respondents (48%), but that does not apply to the railways (51% of respondents are dissatisfied). In most sectors, privatization and agencification have led to an increase in prices, according to the citizens. Overall, the majority (53%) of respondents would not like the government to change its current privation policy; 17% would favour more privatization, 26% less.

All in all, the effects of agencification and privatization on the relationship between citizens and government have not been studied in most countries.

1.2. Academic research on effects of privatization and agencification on the relationship between citizens and the government

Most academic research into agencification and privatization focuses on other aspects of privatization and agencification than the effects on the relationship between citizens and government. Topics that are studied mostly are for instance: why do politicians decide to create agencies or privatize tasks or organizations; which (legal) types are established; and is this an international trend, pointing to convergence, or which differences can be found between different countries (see Verhoest et al., 2012; Pollitt et al., 2004; Pollitt & Talbot, 2004; OECD, 2002)? In short, agencification and privatization are found in many if not all countries but there are no blueprints, neither in the way in which politicians take decisions nor in the design of the organizations involved. National politico-administrative traditions influence the trajectory and speed of agencification and privatization, but generally speaking it has been an international trend in most countries from the 1980s on, often referred to as one of the reforms in the New Public Management (NPM) paradigm.

Other dominant topics in academic research are the autonomy and control of agencies, with special attention for the (new) regulatory agencies that have been established in response to privatization and liberalization of markets (see for example the work of Gilardi, 2002, 2005). Findings show that agencies can be granted different levels and types of autonomy (managerial, personnel, financial, policy implementation; Verhoest et al., 2004) but there is no direct link between the actual level of autonomy (de facto) and the formal autonomy (by law). In practice, some agencies will operate more autonomously than their official statute

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3 The reader should remember that Germany is a federal country. Privatization and agencification at the federal level does occur but is probably even more common at the Länder level. The survey report does not mention whether citizens were asked about services at the national/federal level or at the Länder level.
allows. For example, agencies may try to influence the development of new policies by
developing legislative proposals, making information public, lobbying with interest groups
and/or politicians, and so on (Verschuere, 2009).

As far as the control of agencies is concerned, research findings show a mixed picture;
parent ministries are most involved in the steering of agencies, but do not always seem aware
or capable of performing this function successfully. Steering requires new competencies and
the development of new organizational arrangements and instruments that fit with the more
horizontal and business-like relationship with agencies (Verhoest et al., 2012, Van Thiel &
Pollitt, 2007). A good balance between letting go and maintaining a relationship is necessary
but difficult to find, particularly as there is little exchange of best practices between
governments (at all levels).

Most recently, research has been focussed on the dissolution and merger of agencies,
as this is the latest trend in agencification policies in most (European) countries, also known
as the 'rationalization' of agencies. Many governments are confronted with a highly
fragmented public sector as a result of agencification and privatization. A lack of coordination
and cooperation, particularly in case of cross-sectoral policy problems, has led governments
to reconsider their decisions to create agencies or privatize organizations. Contrary to the
rhetoric, however, this has not led to large re-nationalizations but rather to large-scale
reshuffling of agencies for example through mergers and the creation of shared service centres
(cf. Christensen & Laegreid, 2007). This latest trend fits with the post-NPM movement or
whole-of-government approach that tries to re-establish coordination across the public sector.

The performance of agencies is generally understudied (James & Van Thiel, 2011) as well as
the effects for citizens. Studies into the performance of privatized organizations do pay
attention to effects for customers; see for example the PIQUE project which compares
privatization in four sectors in six countries (www.pique.at). This study shows however that
there is little uniformity in outcomes; prices, quality, and accessibility of services improve in
some cases, but not in others (see also section 2 in this report). Other findings relate to (1) the
increased need for regulation of markets, to protect customers from imperfect competition and
create a level-playing field for companies, (2) effects on the legal position of employees, such
as social dumping and low-wage competition and (3) a call for more empowerment of citizens
to monitor and influence quality aspects of public services. The latter prescription fits with the
rise of new, so-called horizontal, accountability mechanisms (Schillemans, 2008) that have
been developed bottom-up, by agencies, for different reasons.

One motive for agencies to invest in horizontal accountability instruments refers to the
democratic deficit; because ministerial accountability for agencies is limited but agencies are
not held to account for their performance directly, there is a gap in democratic accountability
(Skelcher, 2007; Vibert, 2007, Flinders, 2008). New mechanisms and instruments have been
developed to repair this deficit, such as quality charters (specifying the rights of customers,
for example to good and quick service, or the right to file a complaint, and so on), boards or
panels of advisors (consisting of citizens, interest groups and other stakeholders), and public
assessments or benchmarks (see www.publiekverantwoorden.nl for a Dutch example). Proponents of horizontal accountability further claim that it fits with the intentions of delegating responsibilities - and hence accountability - to agencies. However, there are also more strategic motives that can be discerned. For example, agencies can use information about their performance to build up a reputation, to gain more influence in the policy domain and/or acquire new or more tasks from politicians or other (private) stakeholders. Alternatively, information about (good) performance can be used to counter the overall negative publicity that agencies get in the media (Deacon & Monk, 2001). Knowledge on the rise of these new accountability mechanisms and the effects thereof is still limited, so we cannot draw firm conclusions here.

In sum, there is not much research into the effects of agencification and privatization on the relationship between citizens and government. The focus of most research is on other topics, questions and angles. In some cases, this may touch upon effects for citizens, like the call for empowerment of customers or the rise of horizontal accountability instruments. There is however insufficient evidence to draw conclusions on 'democratic' effects of agencification and privatization.
Section 2 The effects of agencification in Europe: a review of the evidence

Sorin Dan and Christopher Pollitt

2.1. The effects of agencification: an introduction

To ask what the effects of agencification have been may seem like a straightforward question, but actually it is anything but. There are two principle groups of reasons why it is hard to answer: the first have to do with meaning and the second with evidence. To put it very briefly, the terms ‘agency’ and ‘effects’ have both been used with a range of meanings, so we have to be careful to specify what we are talking about at any particular point. And when we come to evidence, we find that although a great deal has been written about agencies – both by governments and by academics – the hard evidence is patchy, and, in particular, it thins out very rapidly the further we move away from the immediate organizational mechanics of setting up agencies and out into the wider world of their actual effects on efficiency, service quality and citizens’ attitudes to public services and government.

On the question of meanings, we may briefly note that it has long been recognised that there is no standardized international view of what is an ‘agency’ (Pollitt et al., 2004; Pollitt and Talbot, 2004; Verhoest et al., 2012, pp. 18-21). There is no widely shared legal or constitutional category that ensures that (say) the British, the Dutch, the French and the Germans are all talking about the same thing. Neither is the cultural and political meaning of agencification similar in all countries or periods. For example, a detailed study of key official documents on agencification in Australia, the Netherlands and Sweden came to the conclusion that debates about why agencification was necessary and what it meant were quite different in each case (Smullen, 2010). Or again, during the 1990s in the UK, agencification was widely seen as giving blocks of operational activity more autonomy from ministries, while in the Netherlands one current of thought was that agencification was attractive because it placed such activities under closer ministerial supervision than would putting them into the then popular ZBO format (Van Thiel and Pollitt, 2007). A study of agencies operating in the same sectors in Finland, the Netherlands, Sweden and the UK showed that even where agencies had similar performance indicator systems, the status of these systems and the ways in which they were used varied considerably (Pollitt et al., 2004). This means that international lesson drawing is difficult, because similar-looking organizational structures or performance management systems may actually be operated in different ways.

For the purposes of this report we will adopt what has become a fairly standard definition of an agency (Van Thiel, 2012, pp. 18-20; see also Pollitt et al., 2004). For us it is a public sector organization which is:

1. Structurally disaggregated from government ministries
2. Operates under more businesslike conditions than the core government bureaucracy

Such organizations operate at arms’ length from the core of government and undertake public tasks such as service delivery, regulation and policy implementation.
Before we can go on to discuss evidence we also have to say what meaning we are giving to effects. We will here be using a particular categorisation of effects (quite a normal one, but certainly not the only one). We will divide them into three broad types:

- Activities/processes (e.g. budgeting, making accountability statements; organising to produce services; training staff)
- Outputs (e.g. treatments/lessons/inspection/information delivered to service users; grants and loans issued)
- Outcomes (e.g. improved health status for citizens; better economic growth; educational attainments for students; increased citizen satisfaction with the quality of services)

An organization or programme is conceived as a set of activities or processes. These include organizational arrangements like the division of responsibility, the allocation of authority, the standard operating procedures, and so on. These procedures enable the organization to deploy and redeploy its resources (staff, money, buildings etc.) which are collectively termed inputs. From these activities and processes the organization or programme then produces a set of outputs, which could, for example be lessons (in a school), licenses (from a licensing agency), medical treatments (from a hospital) and so on. These outputs are, in a sense, what the organization ‘gives’ to the outside world – to citizens, to civil society associations and to business firms. They are like messages, passing across the membrane that separates (on the one hand) the state from (on the other) the market sector and civil society. Outputs are invariably intended to produce desirable outcomes, beyond the organization or programme – so school lessons are supposed to produce educated students and hospital-provided medical treatments are supposed to produce the cure or the alleviation of ill-health. An outcome is something that happens in the world outside the organization and the programme: it is an effect ‘out there in the real world’.

The performance of organizations and programmes (the value of their activities) is usually thought of in terms of certain relationships between these inputs, outputs and outcomes. Thus the ratio between inputs and outputs is a measure of efficiency (or ‘technical’ efficiency or ‘X-efficiency’, or ‘productivity’). If you can get more outputs for the same inputs, you have achieved an efficiency gain. If you can maintain steady outputs while reducing inputs you have also achieved an efficiency gain – in both cases the ratio between inputs and outputs improves. Effectiveness, however, is a different concept, which is usually conceived as the degree to which the outcomes match the original goals or objectives set for the organization of programme. As many writers have remarked, if goals are multiple, conflicting or ambiguous then it will be difficult to determine effectiveness, which will, in effect, become a ‘contested concept’. Unfortunately, policy goals frequently are multiple, conflicting or ambiguous, not least because that is what politicians may need to get sufficient agreement to launch the policy in the first place. (This certainly includes public management reforms which are often claimed to be all things to all men – to save money, raise service quality, increase effectiveness, etc.).
Effectiveness and efficiency by no means always move together. It is perfectly possible to carry through reforms which improve effectiveness but which do not affect efficiency, or which even reduce efficiency. Similarly, it is wholly conceivable that one can make changes that will increase efficiency, but also lead to some loss of effectiveness. Few studies actively discuss and analyses such trade-offs.

Another point to be borne in mind is that, increasingly, official reports and evaluations, as well as academic studies, make use of complex indices of performance, which combine two or more elements (see e.g. Audit Commission, 2009; Pollitt, 2011; Van de Walle et al., 2008). These aggregated indices can be very useful to busy decision makers or to non-specialists and citizens, but they may also (deliberately or inadvertently) conceal underlying trades-off between two or more desirable values (e.g. equity versus efficiency). They can also give spurious precision to judgments which are more correctly seen as hedged about by quite wide brackets of uncertainty (Jacobs and Goddard, 2007).

When assessing effects there is also frequently a problem of attribution. That is to say, there may be evidence of, say, an increase in efficiency, but what exactly was the cause? If the creation of an agency structure was the only thing that happened during the relevant time period, then the efficiency gain might be plausibly attributed to that new structure. But if there were other developments at the same time (e.g. technological changes; a new management; a government-wide efficiency drive, etc.) then it can be very hard to assess what share of the efficiency gain (if any) should be attributed to agencification. This problem of multiple possible causes is actually very common in public management reform. And it tends to get worse the further one moves from changes in processes to changes in outputs to changes in outcomes. That is one reason why the whole history of tracing changes in outcomes and (even outputs) to structural changes in public sector organizations has been a disappointing one (Pollitt, 2009).

The proponents of agency reform were sometimes quite vague about exactly what agencification was supposed to achieve (e.g. Pollitt et al., 2004; Van Thiel, 2001). On other occasions, however, a variety of positive claims were made. In particular, agencification has been seen as a route to economies (input minimization) to more professional management (better processes), to greater efficiency (an improved input/output ratio), and to higher customer responsiveness and service quality (better outcomes). As we shall see the evidence becomes thinner the further one moves towards outcomes – we know much more about how the creation of agencies affected the internal relations within ministries than we do about how they actually changed service quality. Even the large scale surveys involved in COBRA (extensively reported later in this document) were mainly gathering data from officials about processes and outputs, not from citizens about outcomes (Verhoest et al., 2012).

Thus we can already see that there are likely to be significant problems in assembling convincing evidence of the effects of agencification. Evidence on outcomes is likely to be much more scarce and difficult to collect than evidence on internal activities and processes, with evidence on outputs somewhere in between. Even where evidence of outcomes exists the attribution of it to one particular form of change – agencification – can be highly problematic.
More fundamentally still, agencification has meant rather different things in different countries, and the desired effects (objectives) of agency reform have been various and often rather vague.

All these difficulties and challenges do not, however, mean that we know nothing. On the contrary, many studies of agencies have been carried out and they have much to teach us. We may not be able to answer the ‘ultimate’ questions about the final outcomes for citizens with any great certainty or accuracy, but we can identify a whole series of influences that seem, in given national or sectoral contexts, to promote or hinder the smooth working of agencies. In the next section we turn to these influences and contexts.

2.2. The evidence

Having sketched the ‘big picture’ above, in this section we come to the evidence itself. We will draw principally upon a major database assembled during 2011 and consisting of 520 studies of the impacts of New Public Management (NPM) reforms across Europe. Of course not all these studies are relevant to agencification – agencification is not the only element within the NPM (Pollitt and Bouckaert, 2011, pp. 9-11) – but it is one important part of the NPM agenda, and the database contains a total of 72 studies which refer to agencies in various European countries.

The main findings contained in these studies have been summarized in Table 1 below. We selected the studies which appeared to provide more convincing evidence about effects of agencification. Thus we did not include studies from the entire database of 520 studies of NPM reforms that do not deal directly with agencies. Table 1 includes effects of agencification as reported in each of the studies listed in the table (see column ‘Source’). Each row in Table 1 contains at least one study. All the information contained in a particular row refers to each particular study (or in a few cases more than one study) listed in the ‘Source’ column.

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4 More information about the database and access to the actual database on which this analysis is based can be consulted on the website of the European Commission’s FP7-funded Coordinating for cohesion in the public sector of the future (COCOPS) project at www.cocops.eu.
<table>
<thead>
<tr>
<th>Country</th>
<th>What was evaluated?</th>
<th>What were the expectations?</th>
<th>What were the effects?</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Evaluation of <em>Flexibilisierungsklausel</em>, budget execution within a framework of performance agreements and targets. Agencification more generally. Federal administration level, various policy areas</td>
<td>Increased managerial autonomy and use of performance targets and agreements would increase efficiency, effectiveness, innovation and professionalism.</td>
<td>Improved efficiency Deteriorated organizational stability Insufficient steering by parent ministries Improved agency-level management Increased savings (mostly staff reductions) Increased customer service Unchanged role of performance indicators in steering</td>
<td>Hammerschmid et al., 2008; Hammerschmid et al., 2011; Rossmann and Leitsmüller, 2010</td>
</tr>
<tr>
<td>Austria</td>
<td>Agencification more generally in various policy areas</td>
<td></td>
<td>Improved transparency (shadow budgets) Reduced parliamentary control of agencies Unchanged or at most minor improvements in efficiency and savings Reduced steering by parent ministries and internal control Rising cost of top executives</td>
<td>Greiling, 2011</td>
</tr>
<tr>
<td>Belgium</td>
<td>Innovative culture of state agencies and factors influencing it. Agencification more generally affecting various policy areas. Most of the studies cover only the Flemish region of Belgium.</td>
<td>It was expected that greater autonomy of agencies and increased control of results by parent ministry would foster innovation, specialization and expertise which would lead to better performance.</td>
<td>Improved innovative activity and behavior by state agencies. No significant differences in results found between Flanders and Norway. Unchanged innovative activity and behavior of state agencies</td>
<td>Lægreid et al., 2011 Comparative study covering Flanders and Norway</td>
</tr>
<tr>
<td>Belgium</td>
<td>The performance of a Flemish employment services agency</td>
<td>Managerial autonomy, results control, financial incentives and competition would lead to better performance.</td>
<td>Improved effectiveness (meeting objectives) of the job brokerage division but less so in the...</td>
<td>Spanhove and Verhoest, 2008</td>
</tr>
</tbody>
</table>

Notes:
1. Improved efficiency Deteriorated organizational stability Insufficient steering by parent ministries Improved agency-level management Increased savings (mostly staff reductions) Increased customer service Unchanged role of performance indicators in steering
2. Reduced transparency (shadow budgets) Reduced parliamentary control of agencies Unchanged or at most minor improvements in efficiency and savings Reduced steering by parent ministries and internal control Rising cost of top executives
3. Diminished transparency stemming from a high number of organizational forms Decreased policy cohesion, communication, collaboration and service integration
4. Improved innovative activity and behavior of state agencies
<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
<th>Outcome</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Regional hospital agency of Brittany</td>
<td>Setting up flexible decentralized/deconcentrated autonomous agencies would better respond to local needs. They were designed to have a regulatory role and were tasked to restructure the health system.</td>
<td>Too tight central control of agencies, lack of managerial flexibility of agencies in negotiation. Improved overall cohesion and common action. More substantial communication between agencies and stakeholders leading to improved accountability and transparency. Improved professionalization of the management of regional agencies. Improved service coordination.</td>
</tr>
<tr>
<td>Hungary</td>
<td>Agencies under the ministry level in various policy areas</td>
<td>More complex than just the typical expectations of public choice theorists. It includes political reasons such as search for legitimacy in the eyes of stakeholders.</td>
<td>Decreased organizational stability due to specialization and fragmentation.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Agencification more generally. Various policy areas</td>
<td>Increase in managerial autonomy of executive agencies would lead to greater efficiency and responsiveness.</td>
<td>Improved managerial innovation. Improved result-oriented steering. Increased savings. Lowered organizational stability.</td>
</tr>
<tr>
<td>Norway</td>
<td>Creation of a decentralized health model where a high degree of autonomy was transferred to hospitals.</td>
<td>The organization of hospitals as health enterprises with decentralized, semi-autonomous management structures.</td>
<td>Higher managerial and financial autonomy of hospitals. Higher managerial and financial autonomy of hospitals.</td>
</tr>
</tbody>
</table>

See also the rows for Belgium and the UK for additional comparative studies.
<table>
<thead>
<tr>
<th>Belgium for an additional comparative study that covers Norway</th>
<th>bureaucracy would foster change.</th>
<th>Reforms were driven less by economic reasons than in other countries (e.g. New Zealand in this case) and more by interest in becoming part of an international reform trend of autonomization with increasing managerial autonomy offered to agencies</th>
<th>Improved productivity (but limited evidence) Coordination, capacity and fragmentation problems Undermined central political control and weaker executive political leadership compared to agency leadership</th>
<th>Christensen, 2001 Christensen and Lægreid, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>See also the row for Belgium for an additional study that includes Sweden</td>
<td>Evaluation of the management by results model with a focus on agencification. Various policy areas.</td>
<td>Rational choice principles and expectations: disaggregation to create savings, improve efficiency and responsiveness.</td>
<td>Enhanced understanding by ministries of activities of agencies Improved awareness of agencies towards results Unclear and inadequate reporting requirements developed by ministries Poor link between inputs and outcomes</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>More general review of effects of agencification and of other NPM reforms in various policy areas</td>
<td>Overall, rational choice principles and expectations: disaggregation to create savings, improve efficiency and responsiveness.</td>
<td>A statistical averaging of studies of the effects of agencification on efficiency finds efficiency ‘up’ in more cases than ‘down’, but the largest category is ‘unchanged’.</td>
<td>Andrews, 2010 In addition to the UK it includes examples from Denmark, Germany, Italy, Norway, Spain, Sweden, Canada, USA and South Korea.</td>
</tr>
<tr>
<td></td>
<td>The creation of executive agencies in various policy areas of central government (Next Steps Programme)</td>
<td>The expectations were that greater autonomy, within a framework of targets, would produce greater efficiency, improved customer focus, quality and professionalism to the management and delivery of central government services.</td>
<td>Improved accountability of agency chief executives for the achievement of targets within budgets due to framework agreements Improved efficiency (limited evidence) Improved cultural change, i.e. more focused management Higher gap between parent ministry and</td>
<td>Office for Public Service Reform, 2002</td>
</tr>
</tbody>
</table>
| Evaluation of 12 service delivery organizations (agencies) in education, health and social housing. Greater autonomization of local service delivery. | The split between purchasers and providers, with granting of some degree of managerial autonomy to providers was expected to foster competition which was expected to lead to greater efficiency and customer responsiveness. | In some cases due to agencies pursuing their own targets too strongly  
Service integration has become more difficult in many cases  
*Improved accountability and transparency through framework agreements*  
Unchanged efficiency  
Improved processes (e.g. processing claims) in some cases  
Increased customer focus and culture in some cases  
Poor informational exchanges affecting coordination between ministry and agency |
| --- | --- | |
| James, 2003 |
| Agencification more generally covering four sectors: prisons, meteorology, forestry and social security and four countries: Finland, Netherlands, Sweden and the UK. | Increasing the efficiency and effectiveness of executive operations through the creation of semi-autonomous agencies operating within contractual frameworks. | *Some decline in equity, i.e. access to public services*  
Intensification of activity, i.e. faster processes  
Increased fragmentation within the three sectors |
| Pollitt et al., 1998 |
| | | *Somewhat enhanced accountability due to contractual frameworks and performance measures*  
Enhanced transparency through more understandable annual reporting of agencies  
Improved performance (more generally as perceived by managers)  
Increasing availability of performance indicators (PIs) in all four countries but in the UK they were used more intensively and extensively than in the other three countries. However, little use of PIs as steering mechanisms by ministries in all countries. |
| Pollitt et al., 2004  
Pollitt, 2006 |

Notes: Throughout the table the outcomes of agencification and the effects on legitimacy and accountability have been listed in italics. Most of the effects on legitimacy and accountability, as noted in section III of the report concern accountability and legitimacy between ministries and their agencies rather than legitimacy and accountability towards society.
2.3. Conclusions

What does the evidence reported in Table 2.1 ultimately show about the effects of the creation of agencies in Europe? First, it shows that the effects of agencification have been complex in scope and direction, with improvements in some cases and deteriorations or insignificant changes in others. Second, it indicates that relatively little is known about outcomes, i.e. effects outside the administrative system and the so-called ‘democratic effects’, i.e. effects on legitimacy and accountability towards society (Van Thiel et al., 2012, pp. 432-5). Next we will draw conclusions about each of these three categories of effects, namely: i) changes in processes/activities, ii) in outputs and iii) in outcomes, including effects on legitimacy and accountability towards society.

**Effects on processes/activities**

In many cases improvements have been observed in the management and professionalism of agencies, in the availability of performance indicators and information (although their use is often limited), customer focus, awareness of the need to focus on results rather than rules and procedures, or in the innovative activity of agencies. These improvements span multiple countries and policy areas, however, no consistent pattern of improvements has been found that is specific to a country or sector.

However, the evidence on processes/activities also includes many cases where deteriorations have been observed. Often they are trade-offs of observed improvements. These effects are not specific to a country or set of countries or policy areas either. They include deteriorations in organizational stability (increased fragmentation), steering by parent ministries, policy cohesion, ministry-agency collaboration and communication. The picture therefore is more complex than the proponents of agencification had envisaged.

**Effects on outputs, savings and efficiency**

Compared to evidence on processes/activities, relatively less is known about the effects of agencification on outputs. Often the claims about outputs are methodologically less convincing than those about changes in processes/activities. Nevertheless, some studies in our database have found such evidence. For instance, a number of studies of agencies in Austria have found improvements in savings and efficiency (see data for Austria in Table 2.1). Other studies in Belgium and the UK have found unchanged effects on efficiency or at most minor improvements. This finding is one key conclusion in a recent review article which found that the largest category of effects of agencification on efficiency in a number of European and non-European countries is ‘unchanged’ (Andrews, 2010).

**Effects on outcomes and on legitimacy and accountability towards society**

The evidence on what citizens ultimately ‘get’ from agencification is limited and patchy. Only a few studies have assessed (or attempted to assess) these ultimate effects on citizens. Conclusions about the outcomes of agencification seem to be highly context-specific as in the case of increased effectiveness of the job brokerage division of the Flemish employment
agency analysed in Verhoest (2005). For emphasis, these effects on outcomes and accountability and legitimacy have been written in bold. The effects on accountability and transparency are equally complex, but there seems to be a pattern here: in Austria and Belgium studies have reported deteriorations while most evidently in the UK improvements have been found. However, most of these studies look at ‘internal’ accountability and legitimacy between ministries and their agencies rather than at accountability and legitimacy externally, towards citizens. Very few have looked at democratic effects, such as reduced parliamentary control of agencies in Austria (Greiling, 2011); better communication between agencies and stakeholders leading to improvements in transparency and accountability of the activities of French regional hospital agencies (Fargeon et al., 2002) and in the UK following the Next Steps programme (James, 2003; Office for Public Service Reform, 2002; Pollitt, 2006; Pollitt et al., 2004).

The Dutch experience with agencification has been both similar and different from that of other European countries. More generally it has been similar in as far as it fits within a larger, international trend towards autonomization and performance that has swept with varying intensities across Europe and the world (Verhoest et al., 2012). Arguably, a number of other similarities with other countries exist (see e.g., Van Thiel and Pollitt, 2007 for an Anglo-Dutch comparison of agencies). However, the Dutch case retains its specificity. For instance, in the Netherlands the appeal to and force of performance indicators has been softer than in the UK but harder than in Finland and Sweden (Pollitt, 2006). Some of the studies listed in Table 2.1 have analysed such similarities and differences systematically, but very few have succeeded in linking them to the outcomes of agencification. This is due in part to the difficulty of attributing outcomes to changes in agencies. The key final question that we can only briefly address here is ‘what is distinctive, if anything, about the effects of agencification in the Netherlands?’ Comparative studies of agencies in the database have often alluded to (and in a few cases analysed systematically) contextual factors influencing effects, such as the politico-administrative culture, structure of the political system, quality of leadership, the task of agency, budget size and political sensitivity. ‘Adjusting’ these factors, and possibly others, in the right direction, can prove instrumental for the success of agencification. To increase the probability of a positive result from agencification it would seem prudent to combine general knowledge about how agencies have fared in other countries with strong local knowledge of and ‘feel’ for these other factors. There is no single ‘best practice’ model that can be helicoptered in to solve a local problem – prudent reformers adapt and tune the broad idea of agencification to the specific needs and possibilities of here and now.
Section 3 Public opinions on privatization and liberalization

Sebastian Jilke, Roxanne van Delft, Steven Van de Walle

This section summarises public opinion data in European countries on liberalisation of public services, as collected through the Eurobarometer surveys and the European Commission’s Consumer Satisfaction Survey. The purpose of this part is to show how citizens in the Netherlands look at privatisation and liberalisation as compared to citizens of other countries. Where possible, the document will also highlight some trends, where the data permits. In section 3.2 we provide an overview on the degree of public service liberalisation in 22 EU member countries. In section 3.3, we show a number of statistics on public attitudes towards public services and liberalisation in the EU 15.

3.1. Background: Extent of liberalisation in selected sectors in European countries

In this section we provide an overview of the degree of service liberalisation in 22 EU member countries for the following sectors: telecommunications, electricity, gas, postal and rail services. The index is taken from the OECD’s indicators of regulation in energy, transport and communications (ETCR) (cf. Conway, Nicoletti 2006). The indicators we display are composed of a subset of sub-indicators (among others, measures of market entry regulation, market structure and public ownership), and can be interpreted as providing a comprehensive picture of the state of liberalisation within the envisaged service sector. The index ranges between zero and six, with “6” standing for a low degree of liberalisation and “0” for total liberalisation.

Figure 3.1: Degree of liberalisation – overall ETCR score 2007

The first figure displays the overall ETCR score for the non-manufacturing sectors and hence shows the overall degree of service liberalisation within countries. Not surprisingly, the United Kingdom (UK) ranks as the country which has undertaken the deepest liberalisation
reforms in its service sectors. The Netherlands as well ranges at the forefront of liberalizing countries. Other countries, such as Greece or Slovenia have only partially liberalized their service sectors which resulted in a comparatively high ETCR score of 3 and above. The following figures will give a more detailed understanding of this pattern.

Figure 3.2: Degree of liberalisation in telecommunications, ETCR score 2007

Within the telecommunication sector, the UK is still the most liberalised country, and the Dutch telecommunication sector is only slightly less liberalized. Luxembourg and Slovenia are the least liberalised countries in this sector.

Figure 3.3: Degree of liberalisation in electricity, ETCR score 2007

As regards the electricity sector, the UK is still at the forefront of service liberalisation. However, the Netherlands ranges here only within the bottom half of the countries. This exemplifies the comparatively moderate degree of liberalisation in the Dutch electricity sector at that time. Sweden and Estonia are the countries with the least liberalized electricity sector.
A similar pattern can be observed within the gas sector. The UK is again the most liberalized country, while the Netherlands has a rather moderately liberalized gas sector. Within Greece and Finland, liberalisation reforms in the gas market have not been very extensive.

In the postal sector, the Netherlands is the most liberalized country. In this sector, a great share of countries only had partial liberalisation reforms, such as the UK, Hungary and Italy.
In the rail sector, again, the UK is the most liberalized country. But also the Netherlands has executed deep liberalisation reforms, which are reflected in its low ETCR score. Ireland, Slovenia and Finland are the least liberalized countries.

All in one it can be said that within the Netherlands liberalisation reforms have been implemented comparatively deep in the rail, telecommunications and postal sectors. In the electricity and gas sectors, liberalisation reforms have only been partially implemented.

3.2. Citizen attitudes towards public services and privatisation

In this section we look at a number of statistics about public attitudes towards public services and liberalisation/privatisation. We use data from the Eurobarometer surveys (http://ec.europa.eu/public_opinion/) and the Customer Satisfaction Survey 2007. These surveys are regularly commissioned by the European Commission about topical issues. Liberalisation and competition in public services has been a recurrent topic in these surveys. Eurobarometer surveys approximately 1000 respondents per country. In the figures and tables we show both positive and negative opinions in order to facilitate cross-country comparisons, because item non-response and ‘don’t know’ percentages vary across countries. We limit the analysis to the EU15 countries. Years vary, but we in general use the most recent data available. Aspects of these data have been analysed in depth, especially with regard to universal service delivery and price satisfaction. We refer to the relevant literature for these analyses (see e.g., Bacchiocchi et al., 2008; Brau et al., 2007; Clifton and Diaz-Fuentes, 2010; Fiorio and Florio, 2008; Jilke and Van de Walle, 2012; Van de Walle, 2006; 2009; Van de Walle et al., 2008). Further analyses on explaining public attitudes to privatisation, using ISSP data, can be found in the work of Battaglio (Battaglio, 2009; Battaglio and Legge, 2009). For the figures on satisfaction with services of general interest in section 3.0, we use a dedicated survey, again organised by the European Commission.
3.2.1. *General trust in government and satisfaction with public services*

Before presenting evidence about public expectations and preferences towards privatisation, we first provide some background through presenting a number of cross-national opinion statistics on satisfaction with services of general interest, and trust in government.

**Figure 3.7: Trust in government**

![Trust in government chart]

Source: Standard Eurobarometer 74, QA12b.4, Nov. 2011

Trust in government in the Netherlands is fairly high compared to other countries. In the most recent Eurobarometer poll, 48 per cent of the Dutch indicate they tend to trust their government, 48 per cent say they tend not to trust it. The EU15 average stands at 28 per cent. This confirms the position of the Netherlands as a high-trust country.
We see similar findings for trust in parliament. Fifty-five per cent tend to trust parliament in the Netherlands (40 per cent tend not to trust).

The European Commission has also organised a large number of polls on attitudes towards services of general interest. These polls measured attitudes such as general satisfaction, price satisfaction, ease of switching and complaining etc. The volume of these polls was especially high at times when markets were widely being opened for competition. More recently, good cross-national data are hard to find. We therefore rely on a set of findings from a 2007 survey on satisfaction with liberalised services across the EU commissioned by the European Commission DG Health and Consumers. Survey results are from 2006 and include various aspects of service consumers’ satisfaction with a number of services of general interest, such as electricity, gas, water, postal services, and fixed and mobile telephony. Consecutively we will report overall satisfaction scores which have been measured on a 10 point scale, where a high value (8, 9, 10) is coded as satisfaction. We report the percentage points of respondents that have indicated to be satisfied with the services they receive.
Figure 3.9: Satisfaction with electricity services


Figure 3.10: Satisfaction with gas services

Figure 3.11: Satisfaction with water services


Figure 3.12: Satisfaction with fixed phone services

Compared to other countries, satisfaction with services of general interest in the Netherlands is comparatively low. In all service sectors, the number of respondents that have stated that they are actually satisfied with the service they receive is clearly below the EU15 average. However, there are some differences across sectors. While satisfaction with energy services in general is comparatively low, satisfaction with water services can be considered as moderate. However, in the case of mobile services consumers’ satisfaction is, again, comparatively low. As regards postal services and the fixed telephony sector, satisfaction is moderate-low. In this regard, the Netherlands repeatedly ranges among those countries one would traditionally think of as being low satisfaction countries such as Italy, Spain or Portugal. Reasons for this rather bad performance are indeed manifold; one possible explanation may be that along with liberalisation reforms, customers’ expectations towards the services they use is high, while
actual quality and service prices did not experience a similar increase – or even a decrease. This, in turn, may result in those relatively low satisfaction scores.

3.2.2. Expected effects of opening for competition prior to liberalisation

In 1997, the Eurobarometer surveys asked European citizens whether they thought opening services to such as rail transport, telephone services and gas and electricity supply for competition would be a good thing or a bad thing with regard to the quality of these services. This is near the starting date of a large-scale opening up of national markets, and gives us an indication of popular sentiment at a time when many decisions on liberalisation and privatisation were taken or implemented.

Figure 3.15: Do you think that opening to competition will be a good thing or a bad thing with regard to the quality of telephone services

Source: Standard Eurobarometer 47.0, 1997
Figure 3.16: Do you think that opening to competition will be a good thing or a bad thing with regard to the price of telephone services

![Bar chart showing opinions on price of telephone services in different countries.](chart1.png)

Source: Standard Eurobarometer 47.0, 1997

Figure 3.17: Do you think that opening to competition will be a good thing or a bad thing with regard to the quality of electricity supply services

![Bar chart showing opinions on quality of electricity supply services in different countries.](chart2.png)

Source: Standard Eurobarometer 47.0, 1997
Figure 3.18: Do you think that opening to competition will be a good thing or a bad thing with regard to the price of electricity supply services

![Graph showing attitudes towards electricity supply services]

Source: Standard Eurobarometer 47.0, 1997

Figure 3.19: Do you think that opening to competition will be a good thing or a bad thing with regard to the quality of gas supply services

![Graph showing attitudes towards gas supply services]

Source: Standard Eurobarometer 47.0, 1997
Figure 3.20: Do you think that opening to competition will be a good thing or a bad thing with regard to the price of gas supply services

Source: Standard Eurobarometer 47.0, 1997

Figure 3.21: Do you think that opening to competition will be a good thing or a bad thing with regard to the quality of rail transport services

Source: Standard Eurobarometer 47.0, 1997
Figures across the EU show relatively high percentages of people thinking that opening up services would improve quality, especially in telephone services and rail transport. In the EU15, a majority also thought in 1997 that opening gas and electricity services for competition would improve quality.

The number of Dutch respondents expecting positive effects on quality in the rail sector and in telephone services was quite high. They also expected better prices in rail transport and telephone services.

The number of people expecting positive effects of inserting competition in electricity and gas supply services in the Netherlands was relatively low. In the electricity sector, the Dutch were even the most negative after Denmark with regard to expected quality effects of liberalisation. They were close to the EU15 average in terms of expectations about price evolution in the electricity and gas sector.

These findings can be interpreted in two different ways. These attitudes can reflect genuine attitudes towards inserting competition, or they can be interpreted against current levels of performance in these sectors. In other words, when just 47 per cent of Dutch respondents thought in 1997 that inserting competition in the sector of electricity supply would be a good thing for quality, this can mean many thought competition would be a bad thing, but it can also be interpreted as meaning that electricity supply services already were of high quality and that expectations of further quality improvements were low.

A next set of figures shows more general expected effects of opening up public services to competition. Respondents were asked ‘Which of the following effects do you think might be brought about by opening to competition?’.
Table 3.1: Expected effects of competition

<table>
<thead>
<tr>
<th></th>
<th>Creating jobs in these sectors</th>
<th>Greater transparency</th>
<th>Job losses in these sectors</th>
<th>Better service quality</th>
<th>Lower prices</th>
<th>Stopping non-profitable services</th>
<th>Greater attention to consumer needs</th>
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<tr>
<td>Austria</td>
<td>42</td>
<td>28</td>
<td>29</td>
<td>46</td>
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<td>20</td>
<td>51</td>
<td>70</td>
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<tr>
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<td>9</td>
<td>43</td>
<td>44</td>
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<td>45</td>
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<tr>
<td>EU 15</td>
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<td>24</td>
<td>50</td>
<td>60</td>
<td>31</td>
<td>39</td>
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<td>11</td>
<td>59</td>
<td>74</td>
<td>42</td>
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<td>49</td>
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<td>37</td>
<td>42</td>
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<tr>
<td>Germany</td>
<td>31</td>
<td>19</td>
<td>28</td>
<td>45</td>
<td>56</td>
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<td>39</td>
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<tr>
<td>Greece</td>
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<td>18</td>
<td>53</td>
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<tr>
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<td>14</td>
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<tr>
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<tr>
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<td>Netherlands</td>
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<tr>
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<td>44</td>
<td>60</td>
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<td>33</td>
</tr>
</tbody>
</table>

Source: Standard Eurobarometer 47.0, 1997

The table shows that in the Netherlands, people had very positive expectations vis-à-vis more competition. They expected to see a greater attention for consumer needs, better quality, lower prices, the ending of non-profitable services, more transparency and more jobs. In countries such as the UK, Denmark and Germany, expectations were considerably less positive. Again, this can mean different things. These less positive expectations may indicate people had already observed negative effects (e.g. in the UK), or it may reflect that public services were already functioning quite well in these respects.

3.2.3. Social and employment services: evaluation and preference for public or private delivery

In this section, we first look at perceived quality and affordability of a number of social and employment services, and continue by looking at preferences for public or private delivery. The figures show that respondents in the Netherlands are quite positive about the quality of social care, long term care and employment services. They also tend to think these services are affordable. Positive evaluations overall are the highest in Belgium and Austria, and the lowest in Southern European countries. Perceived quality of employment services is low in Germany. Respondents tend to be the least satisfied with the affordability of services in Ireland and Greece.
Figure 3.23: Perceived quality of long-term care services

Source: Special Eurobarometer 355, 2010

Figure 3.24: Perceived quality of employment services

Source: Special Eurobarometer 355, 2010
Figure 3.25: Perceived quality of social assistance services

Source: Special Eurobarometer 355, 2010

Figure 3.26: Perceived affordability of long-term care services

Source: Special Eurobarometer 355, 2010
We subsequently present a number of statistics about provision preferences among European citizens. With regard to social services, respondents in European countries were asked they thought the public sector, private sector or NGOs and charities should be primarily responsible for providing these. We subsequently show findings for long-term care services, employment services and social assistance services.
A preference for private sector/private firms as primary provider of long-term care services is extremely low in all countries. The same goes for NGOs and charities, with Germany and Austria as exceptions. In these two countries, respectively 11 and 15 per cent of respondents think NGOs and charities should be primarily responsible for providing long term care services.

We see a very similar picture for social assistance and employment services. Austria, again, is an exception with considerably higher preferences for provision of social assistance services by NGOs and charities.
Figure 3.30: Preferred primary responsibility for providing employment services (%)

The public sector at national level  The public sector at regional or local level  The private sector (private firms)  NGOs, charities

Source: Special Eurobarometer 355, 2010
When interpreting these figures, it is important to remember that these questions only ask for primary responsibility. The low preference for private sector provision as primary provider does not necessarily mean respondents want no role at all for private sector.
References


Vlaams Parlement (2009), Stuk 37-I (2009-2010), Nr. 1, Brussel.