Institutional Development of Public and Social Services Provision in European Countries: From Government to Governance?

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Abstract

The paper is meant to analyze and discuss the changes (and continuities) which the institutionalization of the provision of public and personal social services has undergone during the development of these services since the 19th century to the present in European countries.

Key Words: Public Social Service, Personal Social Service, Development of Social Services.

0. Introduction

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2 This paper draws on a paper prepared in Working Group 1 within the COST Action on „Local Public Sector Reform in Europe“. The referred to (and quoted) articles are going to be published in Wollmann/Kopric/Marcou eds. 2016 (forthcoming).
0.1. Scope of services

In a generally accepted understanding public services essentially encompass water supply, sewage, waste management, public transport and energy provision. In Anglo-Saxon terminology they are usually called “public utilities” while for instance they are labelled services publics industriels in French, servizi pubblici or servizi di pubblica utilità in Italian and Daseinsvorsorge (services for the subsistence) in German. In European Union (EU) policy the term services of general economic interest (SGEI) has been introduced as a target of EU regulation (see European Commission 2011: 2 ff.).

By contrast, personal social services as well as health services relate to the individual social (or health) needs. In EU terminology they are labelled “services of general interest” (SSGI) explicitly including “health care, childcare, care for the elderly, assistance to disabled persons or social housing” (see European Commission 2011: 2).

0.2. Range and variants of institutionalizing public and social services provision.

Definitional clarification on the ownership and operation of service provision

- Public (sector) ownership will be used here as the “generic” terms which can be “subdivided” and specified as State, municipal (or, say, regional) ownership. By some, particularly in the pertinent US discussion, “State ownership” is used as the generic terms. While this may make sense in the US context, it should be avoided in the European discussion since municipally owned companies ENTERPRISES are galore in the European local government tradition and to subsume them under “state owned” would be not only a misnomer but analytically confusing. Following from this terminological distinction between State, municipal (and regional etc.) ownership, transforming ownership from, say, private into, in the “generic” understanding, public sector ownership could be called (perhaps somewhat clumsily, but analytically appropriately) “publicization” (see also Bauer and Markmann 2016) and should, if turned into (specifically) State respectively municipal ownership, be labelled (again perhaps somewhat clumsily) “etatization” (or, in a somewhat different meaning, but more familiar terminology: “nationalization”) respectively “municipalisation”.

2
When the ownership is returned to the public (state or municipal) sector by way of repurchasing one can speak of “re-nationalization” respectively “remunipalization”. If a previously “outsourced” function/service is returned (“re-insourced”) one may call this “re-municipalization” as well. Finally, if the lose a function to upper governmental level, perhaps central state level by way of functional centralization, this may be labelled “de-municipalization”.

The public and social services can be carried out (operated) by the public (state, municipal etc.) sector directly by its own administrative units and personnel (“in house”, en régie). Besides the direct operational (“régie”) form public (municipal) enterprises may be established which not only remain public (municipal) ownership but stay closed linked with (and controlled by) the “core” administration, as exemplified in Germany by the so called “Eigenbetriebe.”

The direct provision of public and social services can be operated in the institutional form of “inter-institutional” (especially inter-municipal) cooperation which may take the form of (joint) intermunicipal ownership.

The public and social services may be rendered by public (State or municipal) organizations which are “corporatized” (“hived off”) in that, while remaining in public (state or municipal) ownership, are given organisationally, operational and often also financial autonomy separate from the “core” administration (see Grossi and Reichier 2016). They may take the organisational form of intermunicipally owned and established municipal corporations. They can be established under public law as well as under private law (such as stock companies or limited liability companies) whereby the latter legal form is conducive to attract private sector providers to acquire (minority) shares thereof and may be an institutional step towards subsequent (at least partial) material privatization (see below). In the thematically relevant literature the organisational act of “corporatizing” (“hiving off”) in the private law form is by some called formal (or organisational) privatization (see Kuhlmann/ Wollmann 2014: 174 ff. with references). However, in order to avoid terminological and also cognitive confusion it seems advisable to use the term “privatization” only with regard to “material” (or “asset”) privatization (see below) which takes place if and when shares of the “corporatized” company are acquired by private investors. In municipal practice the “corporatized” form of public (municipal) companies has,
to some degree, been employed since long, such in the “Stadtwerke” in Germany and the “municipalizzate” in Italy. Insofar as these municipal corporations are engaged in the provision of several services (energy, water, sewage etc.) they act as “multi-utility” companies.

- *Material* (or *asset*) *privatization* signifies that the public (State or municipal) ownership passes, as rule by way of sale, private ownership, be it entirely or also partially if for instance shares of “corporatized” public (State or municipal) companies are acquired by private investors.

- In the case of partial “material privatization” “public/private (“mixed”) companies or, in the currently prevalent terminology, *(organizational)* *public-private partnerships* (PPP) are formed. In fact such public/private mixed companies have, to some degree, existed since long on the local level, for instance as *sociétés d’économie mixte* in France. At this point it should be inserted that one speaks of *contractual* PPP’s where the ownership remains public and involvement of the private actors is based on (often complex) contractual arrangements.

- “*Outsourcing*” of public functions (services) means the transfer of the operation and delivery of public services to an outside provider – be it a public, private (commercial) or non-public non profit (NGO type) one - typically by way of a time-limited contract (concession). In the pertinent literature often the term “functional privatization” is used. In France such transfer of functions is traditionally called “*gestion déléguée*” (which has by some been - somewhat misleadingly - called “French style privatization” (Finger/Allouche 2002).

- Public and social services may be provided also by *non-public non-profit* (“third sector”, *NGO*) organizations, enterprises and actors. Furthermore, civil society-type associations and cooperatives may be involved in service provision, possibly also in the (“societal”) self-organized and self-help type, including forms of (societal) “co-production”.

- Finally, the reversal and transfer of hitherto public sector based and/or (“marketized”) private sector-based service provision (back) to “societal” actors, self-help and individual responsibility may be called “re-societalization”.
0.3. Developmental ("over time") approach.

With regard to institutional development a distinction can plausibly be made between four phases: an early phase in the 19th century when local services originated; the period of the advancing and advanced welfare state (up to the 1970s), the period of neo-liberal policy inspired public sector modernization and (since the end of the 1990s) a recent phase of “post-NPM”/fiscal austerity etc. inspired changes.

0.4. Country selection

The following article will largely focus on UK, Germany, France and Sweden. (For a wider country selection which, within the country coverage of the COST Action, encompasses “Western” European as well as Central Eastern European countries see Wollmann 2016a, 2016b). While the present country selection is conceptually “purposeful” in that countries are picked which arguably represent different types of institutional etc. local government traditions, the small number of selected countries sets limits to the “generalizability” of the findings.

0.5. Analytical framework

Our analysis draws on variants of the “neo-institutionalism” that, first of all, actor-centred institutionalism which highlights the influence of political decision-makers on institutional development and historical institutionalism which draws the attention on historical traditions and “legacies” and ensuing “path-dependencies” (for details and references see Wollmann 2014: 51, Kuhlmann/Wollmann 2014: 44 ff., Wollmann 2016a).

0.6. Guiding question

In distinguishing four phases of institutional development in four countries our account is guided by the question whether (and why) there have been institutional continuities (or discontinuities) between the phases and whether (and why) there has been institutional convergence or divergence within each phase between countries and service sectors.

3 See footnote 1
The paper will come in two parts.

In its main body and section it will give a (necessarily “broad brush”) overview of the institutional development under discussion

In a concluding part the institutional development will be discussed under a government versus governance perspective.

At the outset the caveat needs to made that such a “nutshell” account cannot do without simplifications by “skipping” details.

1. 19th century “starting conditions”

In the course of the 19th Century, during a period of rampant industrialisation and urbanisation in which the U.K. was Europe’s frontrunner and Germany on the European Continent followed suit, the provision of public utilities (water, sewage, waste, public transport, energy), in its early basic forms, was deemed mainly a responsibility of the local authorities. A sort of (embryonic) “local welfare state” emerged which has been labelled “municipal socialism” (see Kühl 2001). As early as in the 19th century many of French municipalities began to (in modern terminology) “outsource” (“gestion déléguée”) water provision.

In making a historical distinction between the “political community” as the politically organized collectivity of local citizens, on the one side, and the “social community” as the “sociological” ensemble of the local inhabitants (see Wollmann 2006), the introduction and operation of public utilities was seen a responsibility of the municipalities as “political community”, while the provision of elementary personal social services was largely left to the “social community”, that is, the charitable and non-profit organisation, workers' self-organisations etc were called upon. This line was taken up in Germany in the so-called “subsidiarity” principle which, rooted the Social Teaching of the Catholic Church, was laid down in a mid-19th century compromise between State and Church and ensured the non-public non-profit “welfare” organizations a privileged status in social service provision (see Bönker et al. 2016). By peculiar exception and contrast, in France, in an anti-religious and anti-associational impetus originating from the Great Revolution of 1789 non-public non-profit organizations were largely kept out
of social service provision well unto the early 20th century (see Archambaut 1996: 17, Wollmann 2008: 104).

Finally amidst the social misery of early industrialisation and rampant urbanization self-help initiatives and organizations of workers and other social groupings sprang up such as cooperatives and other early civil society-type organizations.

2. Service provision in the advancing and advanced welfare state

With the expansion of the national welfare state which progressed since the early 20th century and climaxed during the 1960s and early 1970s, the historical responsibility of the municipalities was carried on and extended into a comprehensive public sector responsibility which comprised the state, assuming also a key regulating and financing role, as well as further on the municipalities. In order to strengthen the operational capacity of the local government level in key countries (such as the U.K., Sweden and in the German Länder) territorial reforms were put in effect during the 1970s, e.g. in the U.K., in Sweden and in the German Länder, in order to strengthen the operational capacity of local government and to achieve "economies of scale" in the conduct of public and social services.

After 1945, under the incoming (quasi-socialist) Labour Government, the U.K. came to epitomize the public sector-centred (post-war) welfare state. The state sector was expanded by “nationalizing” (that is, by “de-municipalizing” and “etatizing”) the energy sector (in 1946) and the water sector (in 1973) by transforming and integrating a multitude of hitherto municipally owned and operated companies into (central) State-owned and controlled entities. At the same time the local authorities were put in charge of carrying out an increased range of personal social services.

In France, after 1945, in pursuit of the Gaullist drive to modernize post-war France, the State sector was strengthened by expropriating the existing multitude of private sector energy companies and, in “nationalizing” (“etatizing”) them, by establishing two State-owned (monopolist) energy corporations, Electricité de France (EdF) and Gaz de France (GdF); a small number of municipal energy companies survived
“nationalization”. In the water sector which remained in municipal ownership most municipalities, in line with their 19th century practice, continued to “outsource” (in French terminology: “delegate”) the provision of water to outside private sector companies. Personal social services were large delivered by State personnel (at the departmental level) while non-profit organizations continued to be kept out in line with the post-Great Revolution suspicion of not-public service provision.

In post-war (West) Germany, in contrast with the U.K. and France, the energy sector continued to be dominated by a handful of major private sector stock companies as the then ruling conservative-bourgeois federal refrained from nationalization as an (in the face of the Communist regime in East Germany) “socialist” measure. Besides the municipally owned companies (Stadtwerke) continued to play a significant role in the energy sector, particularly in the transmission, distribution and (to a lesser degree) generation of electricity (see Wollmann/Baldersheim et al. 2010: 172 ff.). Water provision remained entirely in municipal ownership and operation. In line with the time-honoured “subsidiarity” principle the personal social services (path-dependently) continued to be provided primarily by the non-public not-for profit (“welfare”) organizations (see Bönker et al. 2016).

Reflecting the basic logic of Welfare State model the provision of public and social services was strongly public sector-centred. Energy provision was dominated by a State-owned energy giant (Vattenfall), while water supply was in the hands of the municipalities. Personal social services were almost entirely rendered by local government personnel following a “hidden social contract” (See Wijkström 2000: 163), that is a compromise concluded in 1936 between the (social democratic) national government and the country’s Protestant Church (see Wollmann 2008: 129).

3. NPM- and market liberalization-drive modernization

Since the late 1970s, initially prompted by the neo-liberal “revolution” in the U.K. in 1979 under the Conservative government led by Margaret Thatcher, and subsequently propelled by the EU’s market liberalization the delivery of public and social services underwent profound institutional restructuring essentially along three strategic impulses and directions.
For one, intended to “roll back” the allegedly oversized post-war (“social democratic”) welfare state and to move towards a (“neo-liberal”) “lean state” material (asset) privatization was proclaimed in order to turn public (state/municipal) sector assets (and operations) into private sector ownership (and operations).

Second, in order to make the previous allegedly monopolist and “monolithic” public sector organization more flexible, more efficient and better performing it was postulated that public functions be transferred from public administration proper (“in house”) through “corporatization” (as a mode of “spinning off” or of horizontal agencification) to outside units which, while remaining in public (state/municipal ownership), should be given wide(r) organizational, operational and financial autonomy in their conduct of service provision (see Grossi/Reichard 2016). By establishing them as private law companies (stock companies, limited liability companies) the access should facilitate for private investors to become (minority or even majority) stakeholders in forming “mixed” or PPP type companies.

Third, in order to overcome the hierarchical rigidity and cost-inefficiency of past service delivery market competition and the “purchaser provider split” should be introduced in “outsourcing” service delivery to external (preferably private sector) providers.

The U.K. went furthest in putting the neo-liberal and managerial “revolution” into practice by entirely (asset) privatizing the energy and water sectors and by turning the lion’s share of personal social services, through competitive tendering, over to private sector providers. After the U.K. had epitomized the public sector-centered post-war welfare state, it became now the frontrunner of its neo-liberal transformation as well as the pacesetter for the subsequent market liberalization drive of the EU in the public utilities and personal social services fields.

In France’s energy sector which, in 1948, was almost entire “nationalized” (“etatized”) the national government showed at first, during the 1990s, little readiness to implement the EU’s market liberalization directive, probably because this could have
impaired the market-dominating quasi-monopolist position of State-owned EdF. In finally responding to the EU Acceleration Directive of 2003, France moved to transform (“corporatize”) EdF into a private law stock company; yet only about 20 percent of the stocks were sold to private investors, so that EdF continues to be almost entirely State-owned. France’s water sector which since the 19th has been (path-dependently) shaped by the practice of the municipalities to “outsourcing” (“French type privatize”) water provision to outside private sector companies came to be, during the 1970s, increasingly dominated by “big three” private sector water companies (Veolia, Suez and SAUR). In the field of personal service provision the past preponderant role of state administration and state personnel gave way, reacting to market liberalization, to the engagement of non-profit and private sector providers.

In Germany federal legislation which, in response to the respective EU directive, aimed at liberalizing the country’s energy market had somewhat paradoxical effect of setting off a “downright wave of mergers” (Deckwirth 2008: 82) which resulted in the market dominance of the “Big Four” (E.on, RWE, EnBW and Sweden’s State-owned Vattenfall) whereas, at the same time, many municipalities, yielding to the market dominance of the “Big Four”, saw cause to sell local grids and shares of their Stadtwerketo the Big Four, thus foreboding their disappearance from the market (“Stadtwerkesterben”) (see Wollmann/Baldersheim et al. 2010). The water sector which traditionally was almost entirely operated by the municipalities and their water companies experienced noticeable advances of private providers among which the French service giants Veolia and Suez and their German counterparts RWE and E.on configured most prominently.

A dramatic rupture occurred in the field of personal social service provision when the market liberalization-inspired federal law of 1994 opened the personal social service market to all providers, including private commercial providers, thus conspicuously putting an end to the time-honoured subsidiarity principle – clad privileged position of the non-public non-profit (Wohlfahrt) organizations in social service provision (see Bönker et al. 2016).

Although in Sweden in 1990 a conservative-bourgeois government that came into office in 1990 proclaimed a neo-liberal “system change” in Sweden’s Welfare state
model the impact of this policy shift on public and social service delivery has been remarkably limited (see Montin 2016). The provision of public utilities has remained largely in public ownership and operation. In the energy sector the State-owned energy giant Vattenfall continued to be dominant. In the other fields of public utilities, such as water, the municipalities and their companies continue to prevail. Notwithstanding the conceptual and also political pressure to “market liberalize” service provision the municipal sector and its personnel continue to render the lion’s share of services, while non-public actors – private commercial or non-profit – still provide not more than 20 percent of the services (see Montin 2016, Wollmann 2008: 123 ff.).

4. Since the mid/late 1990s

Since the mid/late 1990s divergent trajectories of institutional development can be identified depending on different factors.

4.1. Comeback of the public/municipal sector?

Since the early 2000’s neo-liberal belief in the superiority of the private sector over the public sector in the operation of public functions has been shattered on various scores.

- On a global scale the world-wide financial and economic crisis which was triggered by the bankruptcy of the Lehman Brothers bank group in September 2008 has evoked widely shared doubts in the private sector and its “free” market mechanisms while the merits of the public sector have been “rediscovered”, thus “bringing the state back in”.

- On local practical level, the local authorities and their enterprises, after having, under the competitive pressure from private sector companies, improved their operational capacity in service delivery (by recruiting better, also entrepreneurially qualified personnel, by stepping up intermunicipal cooperation etc.), have often arrived at economically equalling, if not doing better than their
private sector competitors. Furthermore, the municipalities have been eager to regain control over local level service provision also the pursuit of (social, ecological etc.) interests of the “local community”. Last not least the municipalities have “rediscovered” the chance to profits in engaging themselves in the production of public services (particularly in the energy and waste sectors) and to thus achieve additional budgetary revenues (see Wollmann 2014: 58 ff. with further references) to be used to “cross-subsidise” loss-making public service fields (such as public transport).

- The disenchantment and discrediting of the neo-liberal beliefs and promises have been also echoed and amplified by a politico-cultural value change in favour of public/municipal service delivery. This has become manifest in thematically related surveys and (for instance in Germany) in a array of local referendums in which the privatisation of public/municipal assets has been rejected in favour of retaining them (see Kuhlmann/Wollmann 2014: 200 ff.)

**Delivery of public utilities**

In internationally comparative perspective the most conspicuous example of a “comeback” of the municipal sector in the provision of public utilities can be observed in the **energy sector** in Germany where the municipal companies (Stadtwerke) which, until the 1990s, lost ground to the private sector energy companies have regained operational strength and have succeeded in asserting themselves and to win back ground (see Wollmann/Baldersheim et al. 2010, Hall et al. 2013: 202 ff., Wollmann 2014: 60, Kuhlmann/Wollmann 2014: 201 ff., Bönker et al. 2016). In France, too, e.g. where in the past the municipal energy companies retained an albeit minor position vis-à-vis (still predominantly State-owned) EdF the municipalities and municipal companies have recently made (moderate) advances particularly in renewable energy transmission, supply but also generation (see Alleman et al. 2016). In the U.K., at the heels of the conservative-liberal coalition government’s “turn-around” decision to expand renewable energy generation and consumption the local authorities have been explicitly encouraged to step up and revive their activities in the energy field (see Wollmann 2014: 61 with references, Alleman et al. 2016). In Sweden where the energy
sector has, by tradition, been almost entirely in public/municipal hands “remunicipalization” is understandably no relevant issue.

In the water sector some “remunicipalization” has taken place. (see Lieberherr et al. 2016). In France the municipalities have increasingly turned to take water provision back into municipal operation by making use of the expiring of the concession contracts. Similarly in Germany some cities, after having sold their water companies (Stadtwerke), partially or entirely, to German and French water companies decided to repurchase the assets and to resume municipal operation (see Bönker et al. 2016). In both countries such moves were largely incited by local political pressure and by pertinent local referendums (see Kuhlmann/Wollmann 2014: 201, Wollmann 2014: 64 ff.). By contrast, in the U.K., that is in England where the water sector has been completely privatized there are no signs of “remunicipalization” in the absence of any political decisions (from above) or pressure (from below) (see McEldowney 2016). In Sweden water provision has traditionally been in municipal ownership and operation anyway (see Montin 2016).

Personal social service provision

In the field of personal social services provision, such as elder care, the process of marketization and the concomitant advances of private sector (commercial) providers has continued unabatedly onto the recent period in the U.K., France and Germany. In Sweden however, the municipalities and their municipal institutions have kept providing the lion’s share (up to 80 percent) in the provision of personal social services (see Montin 2016).

Remunicipalization?

The referred to examples of countries, sectors and cases give plausible evidence that in recent years a process of “remunicipalization” in the field of public utilities has set in and gained momentum, be it by repurchasing the respective assets or by “re-insourcing” service provision. Depending on, and varying according to different contexts, crucial factors to set off and promote “remunicipalization” has been the (path-dependent) existence of viable institutions, such as the Stadtwerke in Germany, political
demands and pressure “from below”, surfacing in local referendums, but also policy initiatives “from above”, such as the “(renewable) energy turn-around of national governments.

Notwithstanding such plausible pieces of evidence the conclusions should remain cautious and should certainly beware of making sweeping extrapolations and generalizations from the available still fragmentary rather than systematic findings. As it has been recently said (see Bönker et al. 2016, see also Bauer and Markmann 2016) the “remunicipalization” hypothesis needs to be carefully “revisited”, as more evidence pro and con comes in.

4.2 Service provision in the wake of budgetary cutback and fiscal austerity policy

Resulting from the recent attempt in European countries to cut back and economize spending in public and social service provision an institutional trend becomes visible that might be termed “re-societalization”, that is, returning service provision to “societal actors” and “civil society type” groups, family contexts and, in the last resort, to the individuals themselves.

For one, such “re-societalization” can be observed in the provision of public utilities when, for instance, in the energy sector citizens/consumers organize themselves, say in the form of “cooperatives” (*Genossenschaften*), in order to generate electricity either for themselves (in a kind of self-supply or self-sufficiency) or for (in addition to such self-supply) commercially selling electricity (on the “renaissance” of “cooperatives” see Bauer and Markmann 2016, for early examples see Bönker et al. 2016).

Second, the “re-societalization” of service provision may occur in the field of personal social and care for the needy in the wake of an, as it were, “ultranéo-liberal” policy drive that aims at shifting the operational and financial burdens of providing such services “back to society”, that is, to “societal” actors, to the self-organization and (mutual) self-help of those in need, and thus holding the individuals and their families responsible and accountable for their subsistence. The policy concept which the U.K. government under David Cameron has recently proclaimed under the shibboleth “Big Society” (see McEldowney 2016) appears to directed, in its “ultra-neo-liberal” gist,
exactly at such “re-societalization”, that is, at “individualizing” the life risks and responsibilities (see Buser 2013). In a historical perspective personal social service and care appears to be turned back to a pre-Welfare State stance, somewhat reminiscent of the 19th century involvement of the “social community” in service provision and care for the needy.

5. Pendulum swinging back?

Could the signs of the “comeback” of the municipal sector in the provision of public utilities and of a newly emerging and invoked engagement of the societal sphere in social services provision be interpreted, in historical perspective, as the movement of a “pendulum swinging back”?

The “pendulum” image goes back to Polanyi’s seminal work on the “Great Transformation” (see Polanyi 1944) in which long-term swings from state regulation to the markets and back again were hypothesized (see Stewart 2010). Resumed by Millward (see Millward 2005) the pendulum image has received increasing attention in the international comparative debate on the institutional stages of public and social services provision (see Röber 2009, Wollmann/Marcou 2010b, Hall 2012, Wollmann 2014).

While the pendulum metaphor, besides its intellectual charm, provides a useful heuristic lens to identify possible developmental movements and “waves” two “traps” should be borne in mind, though. For one, the image should not mislead the observer to overlook the huge differences that exist, in the historical setting and contextuality, between the current situation and the “historical” point of reference. Second, the image should not mislead the observer to assume a kind of determinism or “cyclism” in the movement of the pendulum (see Bönker et al. 2016, Bauer/Markmann 2016).

6. Summary The institutionalization of service provision between government and governance
6.1. From institutional and territorial concentration to horizontal decentralization and pluralization

Summarizing our sketch of the institutional development of service provision through stages since the 19th century the following patterns should, in a nutshell, called to mind.

During the 19th century the provision of public and social services provision was institutionally and functionally characterized by a dual structure in that in its basic forms, public utilities were provided by the local authorities and their companies, embodying the “political community”, while the embryonic forms of personal social services were rendered by “societal” organizations (charities, reformist middle class philanthropists, cooperatives, workers’ self-organizations etc.), hailing from the “social community” (see Wollmann 2006). Since the early 20th century and climaxing in the early 1970s, under the auspices of the advancing and advanced (national) welfare state the provision of public utilities was marked by the predominance of the State sector. Service provision was horizontally concentrated within a somewhat “monolithic” public sector. Insofar as municipal companies (such as the Stadtwerke in Germany) were established to carry out municipal sector tasks they remained (financially etc.) closely tied in (and also controlled by) “core” administration. In some countries the municipalities experienced (in part massive) territorial reforms by which functions and actors were territorially further integrated. In the era of the advanced welfare state the provision of personal social service became largely public sector-based, that is rendered by State personnel in France and local government personnel in the U.K and Sweden whereas “societal” (“third sector”) providers were kept off on political and/or ideological grounds.. By exception, in Germany personal social services were, in line with the “subsidiarity” principle, rendered predominantly by non-public non-for-profit (“welfare”) organizations. By and large after 1945 the U.K. was the frontrunner and epitome of the public sector-centred advanced Welfare State.

Since the 1980s, entering the phase of neo-liberal public sector modernization and EU-driven market liberalization the range and role of the public sector in the delivery of in public and social service provision was profoundly remoulded in sundry
dimensions. For one, public sector ownership and operation in services was transferred, by way of material (asset) privatization, be it partially or entirely, to private sector actors. Second, by way of “corporatization” organizations were established outside “core” administration which, while remaining in public ownership, were given organisational and financial autonomy. By being given the legal status of private law companies (stock companies, limited liability companies) they gave access to private sector actors to acquire minority or majority position in mixed (public/private) formations. Third, public functions were “outsourced” to outside providers, be they private commercial, not-for profit or public. Thus, while realm of direct public sector ownership and operation in service provision was significantly curbed, a process of horizontal decentralization and “pluralisation” of semi-public, “mixed” and private sector actors has gained momentum that operate typically outside the direct influenced and control by the local authorities proper. By asset privatizing the energy and water sectors and by outsourcing, through competitive tendering, most of the social services to outside, mostly private commercial, providers the UK again was the frontrunner and epitome now in neo-liberal public sector restructuration.

In sum, in the neo-liberal market liberalization period the public sector, its institutions and its personnel have significantly retreated from service provision while a wide spectrum of non-public institutions and actors has emerged that operate outside the direct influence of the public sector proper.

In the most recent period two contradictory institutional trajectories can be observed. On the one hand, in some countries, the municipalities have turned to repurchase previously sold assets or to “re-insource” service delivery thus reducing the number of “external” service providers, horizontally (re)concentrating service delivery and re-tightening their control over it. On the other hand, at the heels of public expenditure and service cutting austerity measures “societal” and civil society-type actors and organization have (re-)emerged and have come adding to the diversity and plurality of providers.

6.2. And at last: the institutions of public and social services from (local) government to governance?
In the current political science debate (see path-setting Rhodes 1997) the conceptual and terminological distinction is made between government and governance.

Following this conceptualization and terminology local government can be seen to be embodied in the local authorities whose local council as the pivotal decision-making body, being democratically legitimated and politically accountable, has the mandate to define, advocate and bring to bear the “common good” and “general interest” of the “local community” in the local arena. Faced with manifold stakeholders each with his specific own interest and his own (economic etc.) “rationality” the local authorities as local government are called upon to be guided by a “political rationality” in the exercise of which conflicting interests interest and “rationalities” of the stakeholders concerned are weighed and balanced against each other with the final decision being made, by majority vote in the council, (ideally) in the “best interest” of the “local community”. In carrying out these decisions and to “coordinate” the actors concerned in the implementation process the local government possesses, thanks to its political mandate, the authority and if need be, the “hierarchical muscles” to prevail (for the triad of hierarchy, network and market as the crucial means of “coordination” see Kaufmann et al. 1986, Wollmann 2006, Montin 2016).

By contrast, the concept and term “governance” captures the multitude and plurality of institution and actors that populate the local arena and, being motivated and driven by their “selfish” interests, individual goals and specific “rationalities”, act “on the same footing” as typically lacking “hierarchical” influence and control over each other. In order to “coordinate” their divergent and conflicting interests the local authorities are liable to do this through negotiation, bargaining, give-and-take comprises and other network mechanisms or, depending on the circumstances, by market competition. In the governance arena government as elected political authority is just one player among many others and depends on employing political and financial resources.

In drawing on this government and or governance debate in the interpretation of the institutional development of public and social services delivery as sketched in this paper the period of the advanced welfare state stands out as a developmental stage in which the service provision arena was marked by the predominance of the public sector, be it state or municipal, while the non-public sector, be it non-profit or private, was
largely absent (with the exception of Germany with a traditionally strong position of the non-profit welfare organisation in social service provision). Thus, in this period service provision was marked and shaped by government and its (state or municipal) personnel. Insofar as public utilities are provided not “in house” but by municipal companies the latter typically are, such as the German “Eigenbetriebe”, closely linked with and controlled by the “core” administration. Similarly, the non-public “welfare” organizations that in Germany render the lion’s share of personal social services have come to do this in close cooperation, if not clientelistic collusion giving them a quasi-public/municipal status.

Since the early 1980s, during the subsequent neo-liberal policy-guided and market liberalization-driven period the composition of public and social services providers has in part changed dramatically in the local arenas. While the public (both state and municipal) sector, at least in its direct (“in house”) modality, has withdrawn significantly as service provider, other providers – semi-public, “mixed” or private have come to populate the local arena. Whether semi-public, “mixed” or private, they typically operate outside the direct (“hierarchical”) influence and control of the public authorities (“government”). This applies also to (“corporatized”) private law municipal companies which, while remaining in municipal ownership, are given organizational, financial and entrepreneurial autonomy (for instance, so called Eigengesellschaften in Germany). As these service providers, whether semi-public, “mixed” and private sector or also non-profit (“third sector”), have their individual (“selfish”) they form an actors network that unfolds acenfugal dynamics which, because of its multiple “private-regarding” interests, defies and counteracts the (public-regarding) “common interest” which the local authorities (“government”) are politically mandated to pursue and enact. In fact, along with other variants of institutional “spin-offs” and “(horizontal) agencification” such “corporatized” municipal units embrace an increasing number and percentage of local government employees (in Germany in the meantime up to 40 percent) and have ushered in a kind of “satellitization” of the politico-administrative core of the municipalities which the latter have mounting difficulties to politically “steer” and control. In this context the “corporatized” municipal companies engaged in public utilities play a peculiar role as, on the one side, having been granted entrepreneurial autonomy and in order to cope with and survive in an economically competitive
environment, they are incited by an “economic”, that is profit-seeking rationality, while, on the other, they are still, being owned by the municipalities and having local politicians on their boards, obliged and committed to heed local government’s “general interest” mandate. Due to this “hybrid” profile and orientation (see Montin 2016) they can serve as a role model of a local actor and institution that bridges and merges the “political” and the “economic” rationality (see Wollmann 2014: 128). Most recently the multifaceted plurality of actors and institutions in the service arena has been enhanced by the appearance of “societal”/”civic society”-type initiatives and groups in self-organized forms, such as cooperatives, in energy supply and social service provision. They come adding to the institutional “pluralization” in the local arena.

In the face of the emergence and consolidation of multiple actors networks that are part and parcel of the local level “governance” structure local government has become just one actor among a multitude of actors over whom it cannot exercise “hierarchical” influence it is dependent, in order to achieve some “coordination” among them in the “best interest” of the “local community, on resorting to and employing network-typical strategies, such as persuasion, negotiation, give and take bargaining whereby its chief executive (mayor) may play the role of a “key networker” (“reticulist”, see Powers 1973).
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22


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