PUBLIC/PRIVATE MIX AND SOCIAL INNOVATION IN SERVICE PROVISION, FISCAL POLICY AND EMPLOYMENT

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ABSTRACT

Work Package 7 aims to explore patterns of employment in social services and the public sector in different EU member states in the broader context of labour market and welfare state development. The issue of employment in social services is an especially under-researched area, while the development of social services is a key issue with respect to job creation, as well as to the expectations surrounding the welfare state in the context of new social risks. On the other hand, in the context of globalised economies, ageing societies and fiscal pressures on welfare states aggravated by the economic crisis, the sustainable financing of social services and their provision has become more difficult.

This state of the art report analyses the relationship between two issues that are central to welfare state and labour market development – the financing and governance of social services on the one hand, and employment in social services on the other; the complexity of this relationship represents a challenge. Finally, sustainability in financing the welfare system is central. The focus is on four countries that represent examples of different welfare state regimes: Czech Republic (post-communist/Central-East European), Denmark (Scandinavian), Germany (conservative) and UK (liberal).

The report is composed of six sections: in the first section the theoretical framework is discussed and important findings about financing, governance and employment in social services and the public sector are presented. In the second section findings about employment in social services, public employment and datasets are presented. The third section discusses employment in social services in a broader societal context and the driving forces and factors explaining the recent developments. The fourth section deals with changing governance in social services. In the fifth section various ways of financing social services are assessed, while the sixth section documents the existing findings about the financing of social services and new ways of financing the welfare state. In the last section the key findings are summarised and tasks for further research are discussed.

Preliminarily, it is suggested that employment in social services can be an important source of job opportunities as well as a source of development of sustainable growth for the economy and job quality. Responsive governance to the above demands presupposes diversity in service supply and service delivery, sufficient regulation by public authorities and sufficient public financing. If the two conditions above are not met, the danger at stake is the dualisation in social service provision, with negative consequences for employment in social services, both in quantitative as well as qualitative terms.

CONTENTS

Introduction: the aim of the research 1

1. Social services and the public sector: financing, governance and employment: general issues 4

   1.1 Social services: a working definition 4

   1.2 General role of social services in the contemporary societal context 5

   1.3 Theoretical assumptions related to social services 9

2. Employment in social services and the public sector: definition, data, evidence 13

   2.1 Definition of social services employment and public sector employment 13

   2.2 Data sources and measuring the scope of employment in social services and the public sector in the European Union 14

   2.3 Employment in social services and the public sector in a comparative perspective 19

   2.4 Gender aspect of employment in the social services and the public sector 29

   2.5 Age structure of employment in social services and the public sector 32

   2.6 Other important aspects of development of social services and employment in social services and the public sector 34

   2.7 Concluding remarks 38

3. Employment in social services and the public sector in a broader societal context 40

   3.1 Employment in services and social services: driving forces 40

   3.2 The factors explaining the recent development of employment in social services and the public sector re-examined 44

   3.3 The emerging problem of employment in public/social services revisited 45

4. The changing governance of the welfare state and social services 47

   4.1 Reasons for having a welfare state in social services 47

   4.2 Governance reforms in the welfare state and social services 49

   4.3 Illustration of governance reforms in specific fields of social services in four countries . 54

   4.4 Social innovation in social services 59

   4.5 Concluding remarks 61

5. The various ways of financing social services 62

   5.1 Taxes and duties 62

   5.2 Insurance 64

   5.3 Employer/Employee contributions 64

   5.4 Wage-related contributions 65

   5.5 User payments / user fees 65

   5.6 Tax expenditure 66

   5.7 Summary 66

6. Empirical knowledge on financing social services 69

   6.1 Introduction 69

   6.2 Spending on social services 70

6.3 Revenues for financing social services 71
6.4 Sustainable financing methods.. 77
6.5 Summing up 81
7. Conclusions 82
References 92

List of graphs, schemes and tables:

Scheme 2.1 Public sector definition framework 14
Scheme 2.2 Data sources on employment in social services and the public sector for the European Union countries 16
Table 2.1 Employment in Public administration and defence; compulsory social security by ISCO-88 classification in 4th quarter 2009 (in thousands) 20
Table 2.2 Employment in health and social work activities by ISCO-88 classification in 4th quarter 2009 (in thousands).. 21
Table 2.3 Detailed categories as % of employment in the Health and Social Work sector (4th quarter 2009) 22
Table 2.4 Employment in the public sector (in thousands and share of total employment), EU countries 24
Table 2.4 Employment in the public sector (in thousands and share of total employment), EU countries 24
Table 2.5 Employment in the public sector in EU countries by sector (thousands)................... 25
Graph 2.1 Employment in general government as a percentage of the labour force (OECD countries).. 27
Graph 2.2 Employment in general government and public corporations as a percentage of the labor force (OECD countries] 27
Scheme 2.3 Comparative grid of public sector share and overall sector size in the EU 29
Graph 2.3 Gender ratio in employment in public administration and defence, compulsory social security and in health and social work, EU countries 30
Graph 2.4 Gender ratio in public sector employment, EU countries 30
Scheme 2.4 Gender ratio in sectors of employment in the public sector, EU countries 31
Table 2.6 Age structure of workers in public administration and defence, compulsory social security (4th quarter 2009), in percent 32
Table 2.7 Age structure of workers in health and social work (4th quarter 2009), in percent 33
Table 3.1 Public administration and social service sector employment (% of total employment), EU-15, Norway and Czech Republic 42
Scheme 4.1 Public support for informal elderly care in the EU... 53
Table 4.1 Types of firms in the elderly care market (% of total) 2003-2006 in Germany and the UK 53
Scheme 4.2 Care regimes and employment models.. 54
Table 5.1 Main instruments of financing including possible advantages and disadvantages 67
Table 6.1 Total public sector spending as percentages of GDP in the four countries and EU15, EU27 since 2000 70

Table 6.2 Total (gross) expenditure on social protection as percentages of GDP in the four countries and EU15, EU27 since 2000 71
Table 6.3 Trend towards convergence in the long run – EU12 and EU27 – measured coefficient of variation 72
Table 6.4 Taxes and duty as % of GDP in the four countries since 2000 and EU15, EU27 72
Table 6.5 ‘Green taxes’ as % of GDP in the four countries, EA 16, EU27 74
Table 6.6 Public sector deficit as % of GDP in 2000, 2005 and 2010 in the four countries and EU17, EU27 74
Table 6.7 Public Sector Debt as % of GDP since 2000 74
Table 6.8 Changes in ageing-related public sector spending in CZ, DE, DK, UK and OECD average in % of GDP in 2010-2025 76
Table 6.9 Public long-term coverage – overview of the central aspects 76

PUBLIC/PRIVATE MIX IN SERVICE PROVISION, FISCAL POLICY AND EMPLOYMENT

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Introduction: the aim of the research

WP7 aims to comparatively explore patterns of employment in social services and the public sector in different EU member states in the broader context of labour market and welfare state development. The analysis explores how EU countries pursue their fiscal policies in social services, how they develop modes of governance and the public/private mix in social services, and what the new patterns of employment in social services are.

There are several reasons for investigating these issues. Comparative analysis of the welfare state has only recently concentrated more explicitly on social services (e.g. Seeleib-Kaiser, 2008; Wollmann & Marcou, 2010) – traditionally, mainly contributory and non-contributory benefit schemes were the focus of comparative studies. Similarly, patterns of employment in social services in different welfare states have not been intensively studied – the issue of employment in social services is an especially under-researched area. By contrast, the development of social services represents a key issue with respect to job creation, as well as to the expectations directed towards the welfare state effort.

Social services are expected to respond to the changing demography and new social risks and as such are becoming central pillars in the 'welfare state architecture'. It seems that social services like health, elderly people's services, child care, employment and life-long learning have become central to ensuring effective social protection, social justice/equity, social inclusion and cohesion.

At the same time, since they are labour intensive, they also meet the expectations of job creation. Nevertheless, job creation is dependent on effective labour demand and the sufficient sustainable financing of social services. Under the conditions of globalised economies, ageing societies and fiscal pressures on welfare states – all aggravated by the economic crisis, the sustainable financing of social services and their provision have become more difficult.

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The specific perspective of this report is to analyse the inter-relationship between the two issues that are central to welfare state and labour market development – the financing and governance of social services on the one hand, and employment in social services on the other. This question has only been marginally investigated up to now. This fact raises certain difficulties for this report, which is based on existing studies and data. Our approach is innovative in the sense that we have tried to interrelate two streams of literature. One of them deals with social services as such: their financing, governance and performance (accessibility, scope, quality and the effects/outputs/consequences for their beneficiaries). The other deals with employment in social services and labour market performance: job creation, scope and structure of employment in social services in public sectors, implications for unemployment, labour market mobility, etc.

Preliminarily, it can be assumed that the size and forms of financing social services and their governance can have strong implications for the scope and structure of employment in social services. At the same time, the existing patterns of employment in social services and the public sector may represent an important background for the development of their financing and governance. The complexity of the relationship between the financing and governance of social services on the one hand, and employment patterns in social services on the other represents a challenge.

Furthermore, the complexity arising from the multiple role/functions of social services in contemporary societies is having the effect that all the possible outcomes resulting from the input will be less clear. A central question to examine is the potential for job creation in social services in light of contemporary developments in financing and the organisation of service delivery, and the potential for sustainable employment and social innovation[1] in social services. Finally, sustainability in financing the welfare system is central.

There are multiple roles/functions of social services in contemporary society and of their role in meeting the social needs of people, raising quality of life and securing the principles of human rights, social citizenship, social justice and cohesion. These central purposes of social services are not the core of the analysis; nevertheless, they may be relevant for governance, financing and employment in social services.

The objectives of WP 7 and the preliminary considerations above raise the following research questions:

1. What are the ways and trends in financing the welfare state especially under fiscal pressures emerging from globalisation and financial crises (short term shocks on public finance)?
2. What are the corresponding trends in the governance of social services associated with changing the fiscal regime and with other ‘substantive’ policy changes?

[1] For the definition of social innovation, see section 4.4.

3. What are the consequences of the changing fiscal regime and governance for employment in social services and job creation in social services – either public or private, and for the performance of contemporary labour markets?
4. A cross-cutting question is related to the role of public policies, fiscal policy and social innovation in governance, financing and supporting employment and job creation in social services.

Finally, although the aim is not to investigate them explicitly, the following broader purposes of social services are also taken into account:

5. What are the consequences for the 'production' of the services in terms of their scope, accessibility and in meeting social needs and expectations?

This report combines several streams of literature in different fields:

First, literature on the overall development of the welfare state and its regimes;

Second, literature on the economics of the welfare state and public finance;

Third, literature on the governance and recent shifts in governance in social services and innovations in their financing and delivery;

Fourth, literature on the dynamics of employment and labour markets with explicit focus on social services.

This approach is necessary in view of the objectives of the WP 7; however, it implies several difficulties. For this reason we focus on the situations in four countries that represent examples of different welfare state regimes: Czech Republic (post-communist/Central-East European), Denmark (Scandinavian), Germany (conservative) and UK (liberal).

The purpose of the state of the art report is twofold.

First, it should provide an overview of literature which supports the conceptual framework and helps to specify the key aspects to be addressed in the following analysis.

Second, it should identify the comparative material suitable for the analysis. This includes an overview of the most suitable available datasets and specific information about their methodological characteristics: data sources, their definitions, gaps in data, methodological problems and possibilities to combine data into a new dataset.

The report is composed of six sections: in the first section the theoretical framework is discussed and important findings about financing, governance and employment in social services and the public sector are presented. In the second section findings about employment in social services, public employment and datasets are presented. The third section discusses employment in social services in a broader societal context: driving forces and factors explaining recent developments. The fourth section deals with changing governance in social services. In the fifth section various ways of financing social services are assessed while the sixth section documents the existing findings about the financing of social services and new ways of financing the welfare state. In the last section the key findings are summarised and tasks for further research are discussed.

1. Social services and the public sector: financing, governance and employment: general issues

1.1 Social services: a working definition

The report will define social services as a specific field of services of general interest (COM, 2006; COM, 2007). Services of general interest cover a broad range of activities from the large network industries such as energy, telecommunications, transport, audiovisual broadcasting and postal services, to education, water supply, waste management, health and social services. All these services are perceived as essential for societal development, although their delivery can be public or private (either for-profit or non-profit). Within these services, two categories are distinguished: services of general economic interest,[2] which are subject to the internal market and competition rules of the EC Treaty and non-economic services, which are neither subject to specific EU legislation nor are they covered by the internal market or competition rules of the Treaty:[3] (such as police, justice and statutory social security schemes).

Social services (of general interest) can be of an economic or non-economic nature, depending on the activity. The Commission has provided definitions of the two main categories of social services:

- Statutory and complementary social security schemes, organised in various ways (mutual or occupational organisations), covering the main risks of life, such as those linked to health, ageing, occupational accidents, unemployment, retirement and disability
- Other essential services provided directly to people. They comprise services such as social assistance; services which complement the role of family in caring like long-term care and child care; employment, training and social housing.

Although there are various definitions for the term "social services" (Hubert et al., 2008, p. 33), the analysis starts with a 'narrow' definition of social services by the EC: with respect to the first category, social services include only provisions in kind, like the health and care of children and the elderly, but not social security benefits (except those designed to be used for the purchase of the services mentioned in the second paragraph). The second category is basically provided in kind (although user fees may be charged) and fits into what will be understood as a social service.

According to the EC, **social services** that play a crucial role in improving the quality of life and providing social protection include:

(1) social security in kind (like health care, employment services),
(2) employment and training services,

[2] The EC Treaty refers only to those services.
[3] The problem that the boundaries between the two kinds of service are blurred and their delimitation requires case-by-case analysis is not dealt with.

(3) social housing,
(4) child care,
(5) long-term care,
(6) social assistance services (EC, 2010).

Personal social services include:
(1) long-term care, care for the elderly, care for disabled persons;
(2) social integration and re-integration with a focus on migrants and on users of illegal drugs;
(3) labour market services focusing on disadvantaged and disabled people;
(4) childcare with a focus on services offered to families for children before they enter kindergarten and for afternoon care of school-age children;
(5) social housing (Hubert et al., 2010, p. 28).

Some authors use a broader definition of social services (Wollmann & Marcou, 2010, p. 1) as "services for people and families" which include "...child care, long-term care for the elderly and frail, and health services; and they include basic education, basic cultural amenities (e.g. public libraries) and sports facilities (e.g. swimming pools)."

This report uses the definition by the Commission since the other categories of 'services' like education, cultural amenities and sport facilities fulfil broader societal functions beyond those corresponding to 'social risks' or 'social needs' and blur the boundaries between social and economic services.

The practical advantage of such a definition is that it is possible to distinguish the activities (although in broad categories) in the statistics on employment and financing.

All the above social services may be financed both from public resources of various types and through various channels, or by the service users/consumers themselves. As they can be provided both by public and private entities, employment in social services may thus be public or private. However, when analysing employment in social services, beyond the above-mentioned categories of social services, the analysis will also pay attention to the category of government employment (public administration), since most public servants create conditions for the provision of social services, or directly provide these services at the local and regional levels, as well as at the national level (ministries and other bodies).

1.2 General role of social services in the contemporary societal context

The literature recognises the growing role of social services associated with the current socio-economic changes. In general, there is a shift taking place from industrial to service economies and societies are characterised by dynamic labour markets, new employment structures, an ageing society and changing family structures. All these changes bring new and growing demands on social services. The most transparent is the rapidly growing demand for health care and long-term care for the elderly. In a broader perspective, some authors (Esping-Andersen, 1999; Hemerijck, 2002; Taylor-Gooby, 2005) recognise the changing structure of the 'risks' covered by welfare state arrangements and describe them as 'new social risks'. These were classified by Bonoli (2006) as the following: reconciling work and family life, single parenthood, having a frail relative, possessing low or obsolete skills and insufficient social security coverage due to atypical career patterns. These risks represent a direct challenge for health, childcare, elderly care and employment services. On the other hand, the processes of globalisation and population ageing bring long-term pressures on public budgets both in terms of revenues and expenditure.

The above challenges have profound consequences for welfare state adjustments, often described as welfare state retrenchment, recalibration (Pierson, 2005), or welfare state restructuring (Giddens, 1998; Taylor-Gooby, 2008). More generally, the reforms in welfare states include several aspects: they raise the ‘generosity’ limits of public expenditure and they bring reforms led by an ‘activation paradigm’. The EU countries have explicitly adopted employment targets and guidelines that emphasise the role of employment services, labour market policies, and caring services as expressed in the European Employment Strategy, or recently in Europa 2020. Similarly, the Commission (EC, 2010, p. 6) emphasises the fundamental role of social services in meeting

> “a growing, increasingly complex demand due to structural changes in our societies, such as population ageing, changing gender roles and more flexible labour markets.”

According to the Commission, social services of general interest play a major role in European societies by

> “contributing to social protection and social inclusion and enhance the capacity of individuals to enjoy their fundamental rights and to participate fully in the social, economic and political life. They are an important source of job generation and a key tool for poverty reduction and strengthening social cohesion” (ibid).

Historical development (Castles, 2004)) shows that social expenditure grew between 1960-1998 (and even between 1980-1998) in 21 OECD countries and the share of expenditure on state services (for the elderly and family) increased in 21 OECD countries from 4.4% to 6.5% on average between 1980-1998 while the share of expenditure on poverty alleviation and health care dropped from 43.5% to 41.6% on average. Differences between countries were also highlighted; for example, the share of state services was 20.9% in 1998 in Denmark, while only 1.4% in Belgium.

Jensen (2008), with the use of OECD SOCEXP data from 2001, explains that the relative weight of social services and social transfers shapes the profile of welfare states significantly. The cluster of three Scandinavian countries had expenditure on social transfers at 14.5% of GDP on average, and 12.4% on social services (the highest compared to the other clusters of countries). In the cluster of continental countries like Austria, Belgium, France, Germany and Italy, the expenditures on social transfers were high (18.2%), while expenditures on social services were considerably lower (8.2%). Lastly, there is the cluster of mainly Anglo-Saxon countries along with Finland, the Netherlands, Spain and Japan where the expenditures on social transfers were considerably lower on average (11.4%) and expenditures on social services were slightly lower than in the second cluster, but still much lower than in the first cluster (7.2%). The differences in expenditure on social services are mainly explained by the differences in social care services (the dimension of de-familisation matters the most) and only marginally by the differences in expenditure on health care.

Recently, the EC (2010) illustrated that on average the EU27 member states spend 8.7% of GDP on in-kind social security provisions (including health care) and 16.5% on cash benefits (data for 2007 by ESPROSS). Countries like Belgium, Austria, Italy and Germany spend more on cash benefits and less on in-kind benefits than the average, while Sweden, Denmark and the Netherlands spend less on cash benefits and more on in-kind social protection. Some countries like Latvia, Estonia, Romania Lithuania and Bulgaria spend less on both types of social protection than the average. The welfare state has thus continued to grow in many countries (cf. data in section 6 and refer to the literature in note 4).

The welfare state crisis (e.g. in the wake of the oil-price crisis in the seventies, the recession in the eighties and since the recent financial crisis), has often been related to the ability to finance the welfare state, especially social services, now and in the future.[4] The welfare state in crisis was already mentioned in the 1980s – at the OECD seminar on the Welfare State in Crisis (OECD, 1981), in books by Mishra (1984) and even earlier by O'Connor (1973).

An analysis of a crisis of governance of welfare which combines economic and social policy roles of welfare states is thus not new. Although capitalism cannot coexist with the welfare state, it cannot exist without it either. The Keynesian welfare state thus supplements market forces in securing the "conditions for economic growth and social cohesion" (Jessop, 1999, p. 350). Nation states might have a reduced role due to Europeanisation and globalisation, thus it may seem that the impact of the traditional welfare state "is giving way to a new post-national mixed economy in which networks and partnerships have become more important" (Jessop, 1999, p. 356).

It has been argued that the recent crisis has shown unsustainable fiscal imbalances as well as possible negative impact on long-term growth (OECD, 2011a). The fiscal crisis might thus be more profound given the large public sector deficit in many EU countries, as well as those outside the EU. The consequences and decisions taken in the wake of these deficits, especially with impact on spending on welfare state issues including social services, and to a lesser degree an increase in the level of taxation, might be a profound change in welfare states in Europe (cf. for example, for the UK Taylor-Gooby, 2011). Raising public sector spending to cope with the crisis in the financial sector, increased unemployment and reduced public sector income has thereby brought great pressure to bear on the welfare states in Europe. This has also prompted a discussion about short-term financial abilities, and longer-term deficits and debt reductions.

Crisis in the fiscal and welfare system "affect especially deeply the institutional orders, just as the stagflation crisis of the 1970s did"; the changes demanded in the 1970s for new forms of governance that implied more centralised planning, which has been a combination of deregulation and re-regulation. The re-regulation for correcting the market has been done in order to ensure the "promotion of human, social and environmental rights" (Veggeland, 2011, pp. 4 and 8).

In this section, the central questions relate to what the trends are in financing the welfare state under the fiscal pressures emerging from globalisation and financial crises (short-

[4] For an overview and discussion of the recent impact of the latest crisis, cf. Special Issue of *Social Policy & Administration*, Vol. 45, No. 4, "The times they are changing? Crisis and the welfare state".

term shocks on public finance), as well as the long-term sustainability of public sector financing. This further relates to how and if the pressure will be the same for all types of welfare states in Europe, or whether specific systems might be more vulnerable than others (although the focus here will be on a limited number of countries). Whether it is the financial crisis or legitimacy crisis which is used as a scapegoat for changes in the welfare state is less important here (Greve, 2011). Whether the impact of the financial crisis on the welfare state would be different if there is high electoral support for the welfare state is also a subject for discussion (Vis et. al., 2011).

General economic development has moved taxation from being on specific goods more towards elements such as wage income, sales, profits and value added. Tax and social spending seem to be related to national income per inhabitant (Gough & Shar, 2011). Although their study mainly focuses on developing countries, this can also be assumed to be the case for most European countries, even though the composition of public revenues is associated with different welfare regimes.

The ongoing demographic change in most European countries with an increasing number of elderly compared to those of working age creates further pressure on the financial viability of welfare states, which has engendered a need to restructure public sector spending and change the pension systems in many European countries. The need to include the impact of ageing has also meant that the actual level of debt and deficit is not sufficient in itself; it has been argued that there is a need for a "sustainable commitments rule which would place a ceiling on the flow of future debt interest and other pre-committed payments rather than on the stock of accumulated public sector debt" (Brewer, Emmerson & Miller (eds), 2011). A debate on the criteria for sustainability is therefore necessary.

Financing the welfare state does not only have to do with the ability to find the right balance of tax and duties, but also the level of expenditure on the welfare state and social services. In principle a problem in financing could be solved both by changes in the expenditure and income sides of the equation. Therefore, the analysis will not only deal with rationality or reasons for public sector financing, but also (although to a more limited extent) for public sector expenditure (with a focus on social services). This includes the division of tasks and the borderline between public and private expenditure on welfare issues. The focus here will be on public and occupational welfare (Greve, 2007), including problems in relation to user charges and the individual coverage of financing social services.

In order to understand the impact on social services, one needs to look into whether there are changes in the structure of expenditure. This includes whether there are changing or alternative forms of financing and delivery. Changing forms includes issues such as user charges and whether the welfare state will reduce its role, for example, by issuing vouchers that the individual will have to top up to obtain the necessary service. This has as a consequence a more implicit need to know more about the borderlines between state, market and civil society. Changes in delivery towards outsourcing might change the number of persons directly employed by the public sector, but not necessarily the level of public sector spending. In recent years several countries have deployed a strategy of involving more private providers to cope with the increasing demand for care, but this also raises issues of quality and quality management (Hoffman & Leichsenring, 2011).

The analysis is structured by first having a discussion on some theoretical assumptions regarding employment in the service sector; there is then a more theoretical discussion on why there is a need for a welfare state to finance at least some social services; finally, there is a more general discussion on ways of financing the welfare state.

Section 6 is an empirical presentation of existing ways of financing welfare states in the EU with a focus on four countries (CZ, UK, DE, DK) chosen to represent various types of welfare states and regimes. This is followed by a paragraph dealing with welfare state development and sustainability, which will be used and interpreted in a variety of ways. One is the ability to have public sector deficits and debts in such a way that this is compatible with economic development. Another is the option and possibility of using interventions and public policies to achieve environmentally sustainable developments. Finally, the analysis offers some preliminary conclusions, which may serve as a contribution to learning how to reduce the negative impact of external shocks and crises, which seem to have taken place at least since the "tulip mania in the 17th century" (Roth, 2010, p. 1). Although crises have recurred in the financial system and seem to be inherent to the capitalist welfare state, it seems important to be aware of how to make the system sustainable in a variety of ways.

Another important reminder of that history is also relevant to the interpretation of welfare state development (Kettunen & Petersen, 2011). Furthermore, it is important for citizens to have crisis management that tries to deal with the level of unemployment and ensure trust in the political and economic systems (Roth, 2010). Welfare states thus have a variety of roles and their interpretations and decisions will also be open to interpretation in the light of changes in ideology and economic options.

In recent years, change in the financing of the welfare state has also taken place in that, for example, tax revenue has been declining as a percentage of GDP due to a higher level of unemployment, lower income in companies and by private persons, thus indicating the counter-cyclical measures at stake in the public sector. In other words, the state's role is also to promote more stable economic and social development.

1.3 Theoretical assumptions related to social services

Social services relate to statutory and other social security schemes covering central issues related to risk, but also

> "those services provided directly to the person and playing a preventive and socially cohesive role such as social assistance service, employment and training services, social housing, childcare and long-term care services" (EC, 2010, p. 7),

which also points to the inclusion of health services. These social services are often paid for by public finance, albeit sometimes (cf. later) by obligatory social insurance. Social services thus cover (cf. also later) an important part of welfare state activities.

Before embarking upon an analysis of employment and financing of social services, an understanding of what is included is important. A way to define social services is to characterise them in relation to market elements often involved in studying market failures such as:

Externalities

Information asymmetries

Distributional concerns

A fourth could be added: agency problems (in this case some might have limited capacity for choice).

These four elements run parallel to the main arguments and reasons for having a public sector.

In many social service areas it can be argued that these four attributes occur in tandem (Blank, 2000) and have implications for what will and can be delivered by the public sector, and what will and can be delivered by the family, voluntary sector or the labour market. This also, as mentioned, revolves around reasons for having a public sector and public sector delivery (without, however, answering the question of the scope and size of social services) and implying that a level of service can be delivered by the private sector, not only by the public sector.

Another way to approach and understand social services could be to relate it to the criteria for their being:

1) They are personal rather than related to the production or distribution of services
2) They fulfil personal, social rather than physical or intellectual needs
3) They focus on social roles
4) They are performed in direct social contact (Bahle, 2003).

The last 20-30 years, and earlier in the Nordic welfare states, have seen a changed role in several countries away from family towards state-related provision of welfare services, especially in terms of care for children and the elderly. This, combined with general economic development and the financial crisis, has increased the pressure on the welfare state.

Given that the aim is to understand and know how to finance social services and also how this is related to the level of employment, it is important to grasp why there has been growth in employment in social services, as the issue of financing will be different, given that a lower increase in the size of the services has taken place.

There are three main explanations for the growth of employment in the service sector and social services (Schettkat & Yocarini, 2003):

1) Demand-side explanation
2) Supply-side interpretation
3) Inter-industry division of labour

The demand-side explanations focus on issues such as a shift in the hierarchy of needs and the luxury goods argument (e.g. service has an income elasticity above one). The shift from a demand of goods to services thus becomes related to changes in the composition of demand in society.

The supply interpretation especially refers to the old debate regarding the Baumol impact of lower productivity growth in the service sector compared to other sectors in society (Baumol, 1967); according to this, the public sector (e.g. social services) will be ever-expanding. 'Baumol's disease' has been criticised in that gains in productivity in the public sector, and especially in social services, are difficult to measure. This, however, is not a debate to be presented here.

The inter-industry division of labour suggests that outsourcing, at least of certain functions, implies a statistical shift in the measurement of services; this is also due to differences in the location of services, thereby making the statistical interpretation difficult. The ongoing restructuring of services further implies that clear information on input, except for financing, and output might be less strong. The implication is that a way to measure and analyse the development might have to revolve around a combination of available economic resources with the output being given by the number of persons receiving various types of care. The constant change and perception of core services and related services imply that data availability can be scarce and has to be interpreted with care.

Furthermore, it might also be a difficult task to obtain sufficient information (cf. section 3) given that information on tax expenditures (Adema & Ladaigue, 2005; Sinfield, 2007; Greve, 2004) and occupational welfare (Farnsworth, 2004; Greve, 2007) is often sparse. The statistical risk is then that the available information only presents part of the picture (e.g. the public sector spending and those directly employed in the public sector).

A further reason for welfare provision and services relates to deindustrialisation, female labour force participation and increasing public attention to these, implying that provision of welfare services is more related to non-ideological factors (Jensen, 2009) (cf. also the literature in relation to how to reconcile work and family life).

Existing fiscal constraints affect all EU member states due to global competition, the Copenhagen criteria for new member states from 1993, and the Stability and Growth Pact from 1997. These constraints have increased due to the fiscal crisis and deepening public budget deficits with dire consequences for public sector performance, employment and for the ability to finance the welfare state. Nevertheless, since need and demand for social services are generated not only by the size of the public sector, but are also dependent on private financing being in place, individual and private collectives, including companies, will be influenced by change in the ability to finance the welfare state. The impact on services has been and presumably will be in years to come associated with broader factors of socio-ecological transition, like the ageing of population, dynamic labour markets and skill bias, employment of women and reconciliation of work and family. Second, the governance of the public sector and social services is changing: the provision of social services is challenged by the demands of both effectiveness/responsiveness to client' needs as well as economic efficiency. This has at least to a certain extent been leading to the shift in governance towards a more public/private mix and the use of quasi-markets. The use of a market type mechanism within the public sector has meant that in several aspects the distinction between the public and private sectors has become even more blurred. The core issues are thus not only who is financing and making decisions about who has access to services, but the criteria used to determine access.

It is still misleading to speak of a public service/market provision choice, because it does not include non-profit service, and support for this can be a way between state and market provision. Furthermore, as a constantly recurring issue, it is difficult to measure productivity in services. There is thus a need to measure quality and outcome, which are difficult to measure, rather than quantity and outputs (Graefe, 2004).

The consequences of the above circumstances for the level and composition of employment in social services are not self-evident. The issue is not only the scope of employment and sectoral structure of employment, but also the quality of jobs and social structure of the employment in social services. This includes dualisation/segmentation of employment. Thus the interplay between factors such as labour market performance, how to finance social services and their governance within the broader frame of welfare regime and employment patterns needs to be examined.

In recent years some areas have seen a movement towards more individualised service, which also has a tendency towards making a service more like a classical market type of delivery. Trends in the provision of social services, with a focus on activation services, can be seen as individualisation services that are a part of public governance and social policy reforms (Borghi & Berkel, 2007).

The analysis will focus on how countries in the enlarged EU are coping with the fiscal constraints on their public sectors/social services and convergence/divergence tendencies in the 'patterns' of the fiscal policies, governance of social services, public/private mix and employment in social services, and innovation in terms of financing, governance and service delivery. This analysis will especially be of an empirical nature (cf. section 5).

A distinction between services in cash and in-kind is important given that they are substitutes. Therefore a direct comparison between countries can be difficult and data can also be biased due to differences in the way different welfare states are organised. The aim and results might thus be very similar; but the roads towards them can be very different.

The focus in this part of the report is on the broader issues of financing, thus to a lesser degree probing into who is delivering the services and under what conditions; nevertheless, the issue of user charges have an impact on the understanding of financing and governance of social service.

2. Employment in social services and the public sector: definition, data, evidence

This section deals with the development in employment in two areas: in the social services and the public sector in general. Employment in the public sector and social services is seen as a dependent variable. The contents of this section are as follows: first, the definition of public sector and social service employment; a presentation of available data sources on employment in social services and the public sector; and finally the main trends in the data.

2.1 Definition of social services employment and public sector employment

The definition of social services used is presented above in section 1.1. Social services are seen as social security schemes covering the main risks of life or other essential services provided directly to persons in need of care. Services are defined as human activities (e.g. personal care); if tangible result of service is provided, it is in kind (cooked lunch, clothes cleaned) instead of cash. Social security schemes/benefits provided in cash, such as maternity benefits or old age pensions, are not included. Employment in social services traditionally involved both public and private employment depending on how big a part of the social services was provided by public and private sectors. Employment in social services may be identified with the use of NACE classification and data provided by Labour Force Survey (see below). It is more difficult to distinguish between employment in public and private social services especially due to lack of data available.

The distinction between the public and private sector is often perceived as hard to define. The role of the state is seen in three basic functions: regulation, provision and financing (Seeleib-Kaiser 2008). Regulation includes standards of service quality, the roles of actors and system control; provision includes the provision of required facilities and delivering of services and financing including payments for services and maintaining transfer channels. Three different aspects of social services are seen as important.

Functional: The first aspect is related to the purpose of the public services: these are services which are provided by the public sector and in the "public interest".

Legal: The second aspect is based upon the legal status of the service provider (state, municipality, NGO, quango,[5] private enterprise) or legal status of the contract between worker and the state (or other employer).[6] The legal status of the provider has important consequences for the definition of the public sector. Some enterprises which are private by legal status are in fact owned by the state or municipality (i.e. state share is more than 50%), and some are in public-private partnerships (PPP) (Brandt & Schulten, 2007; Dreyfus et al., 2010). For examples of various and mixed legal status of service providers see Citroni (2007). In some countries professions which we consider public sector jobs (e.g. social security workers, physicians) are employed under private

[5] Quango is the acronym for quasi non-governmental organisation.
[6] For the discussion of various types of service providers see Christensen & Pallesen (2008, pp. 18-21).

contract. Last but not least, private organisations may in some countries provide services within the same regulation and financing as similar state-owned public sector organisations.

Financial: The third aspect is based upon the fiscal sources for services. There the services are considered public if they are predominantly paid (or subsidised) from taxes or social security contributions. Nowadays many services are at least partially privatised and/or directly paid by service users and thus the distinction between public and private may have become more blurred (see e.g. Rouban, 2008). Some companies are private but with strong state involvement. What can be rather confusing is when privatised services are bought back by the government (Hogwood, 2008). In order to measure public sector financing, financial records (budgets) are usually used. It is a matter of discussion (in concrete cases) how accurate and internationally comparable this method to measure employment in the public sector can be.

These various aspects of the public sector will be used as a way to understand welfare state involvement in social service. How to understand employment in the public sector is a central issue. The distinction lies between employment in the public/social service sector including private employment (functional) and employment in general/public employment (legal). For the purpose of this state of the art report, all three above-mentioned aspects (functional, legal and financial) are important. The public-private mix in contemporary European countries and thereby the functional aspects are of central importance here. The main problem in measuring social service employment is the lack of data.

In this chapter a broad definition of the public sector is used when dealing with statistical data. The analysis focuses mainly on education, health care, social care (children, elderly disabled and other), employment services and administration (since government administration is ensuring the broad functions of the public sector, social services included).

Scheme 2.1 Public sector definition framework

Sector definition	Legal status and ownership	Financing
- public interest goal - service (mining, agriculture, industry and financial services are excluded)	state	public: at least partially funded by money from taxes or mandatory contributions and fees
	regional/local government	
	municipal	
	NGO	private: financed only by users or other non public sources (e.g. foundations)
	Quango	
	Private	

2.2 Data sources and measuring the scope of employment in social services and the public sector in the European Union

This section includes a discussion of the comparative data availability for analysing employment in social services and the public sector in the EU27 presented. For some countries long-term data cannot be used in comparative analysis, usually because of the different or even unknown methodology of data collecting. The main interest is in data about EU countries collected with similar methodology and/or provided by one data collector.

Data for social services may be identified with the use of Labour Force Surveys (LFS) which use NACE classification. Data for public sector employment are generally not as easily comparable, because data from various sources are used (LFS data cannot be used for all countries) and there are shifting boundaries between various data categories and different rules for inclusion/exclusion of categories in the public social services. In many cases, there are some categories (e.g. people working in employment programmes) that are excluded from the official statistics (e.g. Rouban, 2008). Even data collected for one country but from various sources usually show substantial differences.

Social services and public sector employment data sources are of two basic kinds: the first kind is based upon aggregate statistics (e.g. administrative data published by ministries and can be based upon various administrative registers data) and the second is based upon individual survey (sample) data. Both these types of data are listed here. Survey data are usually listed here if they contain variables about public/private sector membership. They usually contain additional information about the characteristics of public sector employment (e.g. percentage of women, working overtime), but they may lack the representativeness necessary to estimate sector size. It is always an open question (and subject to examination) what the source of aggregate data is and if they are more reliable than survey data.

In scheme 2.2 there is information about the basic data description, data format, data collector or provider and (if possible) a link to the source of the data. Years of data collection are in most cases evidenced. The question of individual country data availability for various countries is too complex to be discussed and presented here.

Scheme 2.2 Data sources on employment in social services and the public sector for the European Union countries

INTERNATIONAL COMPARATIVE DATA SOURCES			
Data description	**Data type and Data format**	**Data collector provider**	**Data source:**
Database of data sources	- various	EDACwowe	http://www.edacwowe.eu/
LABORSTA Public Sector Employment (1985-2008) Statistics on Public Sector Employment: Methodology, Structures and Trends (1999)	- aggregate (thousands) - aggregate	ILO Academic	http://laborsta.ilo.org/ http://laborsta.ilo.org/data_topic_E.html Massaoud (1999)
Public Employment Dataset	- aggregate	Academic	Thomas R. Cusack see note[7]
Labour Force Survey (1990-2010) employment by sector ISCO-88 and NACE Employment by occupation and economic activity (2008-2010) and other structural indicators Employment in health and social work as a percentage of total employment and other structural indicators[9].	- individual - aggregate (thousands) - aggregate	Eurostat Eurostat Eurostat	(available only for research institutions) see note[8] European Commission (2010)
Social Indicators Monitor (SIMON)	- aggregate	GESIS	see note[10]
Persons employed in the public sector in European Countries (1950-2000)	- aggregate	academic	Rozhenbacher (2004)
Establishment Survey on Working Time and Work-Life Balance (2004-2005)	- individual	Eurofound	see note [11]

[7] http://www2000.wzb.eu/alt/ism/people/misc/cusack/d_sets.en.htm
[8] http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
[9] Other indicators: Women employment in health and social work as % of total employment, gender pay gap in health and social work, change in employment rates 2000-2009 in health and social work, % of highly skilled employees in health and social work, share of part-time employment in health and social work, etc.

[10] http://gesis-simon.de/simon_eusi/pre_index.php?PHPSESSID=69a7a5aa8b38d0f2d0d8698dd16e3ab9
[11] http://www.esds.ac.uk/findingdata/snDescription.asp?sn=5655&key=eswt

The Generations and Gender Programme (panel data)	- individual	UNECE Population Unit	http://www.ggp-i.org/
European Social Survey	- individual	academic association	see note[12]
International Social Survey Programme	- individual	academic	http://www.issp.org/page.php?pageId=4
Employment in the Government Sector Size of Public Sector as Percentage of Total Employment	- aggregate - aggregate	OECD academic	OECD Employment Outlook see note[13] used in Handler et al. (2005)
An International Statistical Survey of Government Employment and Wages (1997)	- aggregate	World Bank	Schiavo-Campo, de Tomasso, Muckherjee (1997)
OECD Health Data – number of workers in the health sector	- aggregate	OECD	see note[14]
OECD Employment Outlook 2010 number of people in ALMP programs	- aggregate	OECD	see note[15]
Number of Employees in Elderly Care Sector	- aggregate	academic	Simonazzi (2010)
OECD Employment Outlook 2010 number of people in ALMP programs	- aggregate	OECD	see note[16]
Number of Employees in Elderly Care Sector	- aggregate	academic	Simonazzi (2010)

[12] http://www.europeansocialsurvey.org/index.php?option=com_content&view=article&id=23&Itemid=318

[13] http://stats.oecd.org/BrandedView.aspx?oecd_bv_id=eo-data-en&doi=data-00093-en

[14] http://www.oecd.org/document/56/0,3746,en_2649_34631_12968734_1_1_1_1,00.html

[15] http://www.oecd.org/dataoecd/30/33/43272221.pdf

[16] http://www.oecd.org/dataoecd/30/33/43272221.pdf

NATIONAL DATA SOURCES			
Public sector Employment in the United Kingdom (1950-2000)	- aggregate (thousands) - shares	academic	Hogwood (2008)
Statistical Bulletin – Public sector employment in United Kingdom (2010)	- aggregate (thousands)	Office for National Statistics	see note[17]
Public sector Employment in Germany (1950-2000)	- aggregate (thousands) - shares	academic	Derlien (2008a)
Public sector Employment in Spain (1965-2000)	- aggregate (thousands) - shares	academic	Alba and Navarro (2008)
Public sector Employment in France (1948-1998)	- aggregate (thousands) - shares	academic	Rouban (2008)
Public sector Employment in Denmark (1949-2000)	- aggregate (thousands) - shares	academic	Andersen, Christnensen and Pallesen (2008)
Public sector Employment in Sweden (1975-2000)	- aggregate (thousands) - shares	academic	Pierre (2008a)
Public sector Employment in Poland (1990-2007)	- aggregate (millions) - public employment shares by sector	academic	Zawojska (2008)
Public sector Employment in Ireland (2009)	- aggregate	CSO	see note[18]
Bulletin of Public Employment in Portugal (2007-2009)	- aggregate (thousands, share of total employment)	DGAEP	see note[19]
Public sector Employment in the Czech Republic	- aggregate	ČSU	

[17] http://www.statistics.gov.uk/pdfdir/pse0611.pdf
[18] http://www.cso.ie/releasespublications/documents/earnings/current/psempearn.pdf
[19] http://www.dgap.gov.pt/eng/media/Portugal_DGAEP-OBSEP_BOEP_October2010.pdf

Listed below there are some indicators in various reports used for the measurement of employment in the public sector:

- Social services employment (in thousands)
- Qualification structure (education attainment level) in social services
- Age structure in social services
- Percentage of men and women in social services
- Public employment (in thousands)[20]
- Public employment at central, regional and local/municipal level (in thousands)
- Public employment by sector
- Public employment in individual sectors (share of education, health and social services)
- Percentage of budget paid from public sources
- Number of public sector employees to 100 or 1000 inhabitants (or share %)
- Number of public sector employees to 100 or 1000 workers (or share %)
- Number of inhabitants per public sector employee
- Percentage of men and women in the public sector
- Percentage of part-time work in the public sector

2.3 Employment in social services and the public sector in a comparative perspective

The European Labour Force Survey provides relatively reliable long-term data on sectors of employment NACE (rev. 1 and 2) and ISCO-88. These data are accessible in aggregate form in the Eurostat public database. For the definition of employment in social services as defined above, only two NACE categories are relevant: a) "Public administration and defence; compulsory social security" and b) "Human health and social work activities". These two categories are in aggregate data cross-tabulated to ISCO-88 occupation classification of the following categories:

- A Legislators, senior officials and managers
- B Professionals
- C Technicians and associate professionals
- D Clerks
- E Service workers and shop and market sales workers
- F Skilled agricultural and fishery workers
- G Craft and related trades workers
- H Plant and machine operators and assemblers
- I Elementary occupations

These categories are used as a structuring device (cf. Tables 2.1 and 2.2). The tables show that in most countries most workers in "Public administration and social security" and in "Health and social work" work in occupation groups B, C, D and E. These positions in ISCO classification are defined as relatively qualified (usually at least secondary or tertiary education is demanded). We compared the number of people employed in each of both sectors with the total number of people employed (the result is

[20] The number of jobs indicator might be misleading if part-time employment is taken into account (i.e. two part-time jobs might be fewer working hours or less salary paid than one full time job).

presented as a share of total employment which is in the last column of tables 2.1 and 2.2). For public administration and social security the share of total employment is similar in all European countries (usually between 4.5 and 7%). Only in Belgium, Luxemburg and France is this share bigger than 8%. The share of people working in health care and social work is more differentiated: it is relatively low (about 5%) in Eastern European countries (e.g. in Estonia and Latvia) and relatively high (12-15%) in some Northern and Western European countries (e.g. in Finland, Sweden, Netherlands and United Kingdom). These results are also confirmed by ILO Laboursta statistics (see below).

Table 2.1 Employment in Public administration and defence; compulsory social security by ISCO-88 classification in 4th quarter 2009 (in thousands)

	A	B	C	D	E	F	G	H	I	Total	% TE
Austria	10	27.9	60.2	65.8	42.2		9.6	5.6	36.2	257.5	6.3
Belgium	51.4	62	38.5	128.5	44.6	6.5	8.9	6.0	38.6	385	8.6
Bulgaria	13.3	53	26.3	25.5	52.5			7.6	19.2	197.4	6.2
Cyprus		2.8	6.9	4.9	5.2		1.4		2.2	23.4	6.1
Czech Republic	25.2	45.8	118.2	41.2	60.8		6.4	4.9	16.3	318.8	6.5
Denmark		45.7	50.9	32.8	18.6		3.8		6.2	158	5.8
Estonia		11.3	9.0		6.6					26.9	4.6
Finland	11.5	32.7	34.1	14.9	12.3		2.2			107.7	4.5
France	73.2	321.8	547	572.3	211.3	51.5	90.2	38.3	407.5	2313.1	9.1
Germany	44.2	685.9	1110.4	211.2	286.5	38.8	60.3	66.9	176	2680.2	6.8
Greece	9.1	48.6	49.7	98.2	64.1		15.7	9.9	13.3	308.6	6.9
Hungary	22.9	44.5	68.4	30.7	31.3	4	8.1	6.2	53.9	270	7.1
Ireland	6.6	14.8	6.3	45.9	21.4				3.8	98.8	5.3
Italy	53.3	159.6	227.4	409.8	227.7	5.8	20.8	15.2	43.1	1162.7	5.1
Latvia	11.1	18.7	18.7	4.3	5.9				2.6	61.3	6.6
Lithuania	13.2	30.4	15.1		12.8					71.5	5.2
Luxembourg		4.9	7.7	2.6	2.6		1.7		3.1	22.6	10.4
Malta		2.0	2.3	3.4	2.5					10.2	6.3
Netherlands	40.3	184.3	109.9	101.5	56.5	6.9	9.6	6	10	525	6.1
Poland	57.3	295.4	320.4	134	76.8		12.2	12.7	52	960.8	6
Portugal		41.8	73.8	24.6	67.7	12.3	22.2	16.9	37.3	296.6	5.9
Romania	15.8	112.9	90.4	54.8	73		11.6	15.9	35.4	409.8	4.5
Slovakia	13.4	18.6	66.2	13.8	24.6			4.4	19.7	160.7	6.9
Slovenia	5.2	21.2	9.1	7.2	8.4				2	53.1	5.4
Spain	39.7	241.7	234.9	209.9	302.2	23.5	62.8	25.5	141.4	1281.6	6.9
Sweden	17.6	87.6	93.5	23.1	26.9				7.3	256	5.7
UK	243.7	250.4	296.1	584.8	332		29	16.8	93.9	1846.7	6.4

Source: Labour Force survey data – Eurostat Statistics (see scheme 2.2).

Table 2.2 Employment in health and social work activities by ISCO-88 classification in 4th quarter 2009 (in thousands)

	A	B	C	D	E	F	G	H	I	Total	% TE
Austria	4.6	58.6	140.7	29.6	119.9		7.1		38.2	398.7	9.8
Belgium	16.8	256.7	89.2	42.5	107.8	3.4	5.1	6.5	67.6	595.6	13.4
Bulgaria		40.2	61	6.3	44.9				6.3	158.7	5
Cyprus	0.6	8	2	2	2.3				1.4	16.3	4.3
Czech Republic	9.2	61.6	172.1	10	56.8		3.4	8.7	18.3	340.1	6.9
Denmark	6.4	56.2	176.4	33	206				29.3	507.3	18.7
Estonia		6.6	9.8		9.7					26.1	4.5
Finland	8.9	56.2	111.7	13.3	153.5		3.4		29.6	376.6	15.6
France	43.4	348	1032.1	235.8	1116.2	15.6	54.3	38.2	389.9	3273.5	12.8
Germany	47.6	730.9	2108	231.4	1096.7		73.8	61.1	308.7	4658.2	11.8
Greece	3.7	75.4	80.3	23.6	35.7		5.5	3.6	12.7	240.5	5.4
Hungary	8.1	53.6	97.2	15.7	39.2		5.9	7.0	23.6	250.3	6.6
Ireland	12	88.3	29	17.4	65.8				17.5	230	12.3
Italy	27.9	362	738	132.7	252.1		13.5	14.2	87.5	1627.9	7.1
Latvia		10.7	13.4		9.4					33.5	3.6
Lithuania		25.6	43.5		10.7				5.9	85.7	6.2
Luxembourg		4.3	7.5	1.7	4.6				2.2	20.3	9.4
Malta		3.1	3.7		3.9					10.7	6.6
Netherlands	76.1	297.3	527.1	93.3	299.7		7.7	5.6	76.3	1383.1	16.2
Poland	20.3	455.4	192.2	55.2	77.5		7.1	15.1	76.3	899.1	5.7
Portugal		87.4	43.5	30.6	127.3				37.9	326.7	6.5
Romania		89.5	181.9	11.4	80.1		7.8	11.2	19.6	401.5	4.4
Slovakia	3.4	17.2	68.4		38.8			3.8	16	147.6	6.3
Slovenia	1.8	12.2	24.4	2.9	8		1		4.7	55	5.6
Spain	29.1	466.9	161.9	97.3	457.9		18.9	26.2	73.2	1331.4	7.1
Sweden	13.9	116.6	142.9	25.8	364.9				15	679.1	15.2
UK	333.9	485.4	1043.8	437.7	1270.3		14.5	23.1	198.6	3807.3	13.2

Source: Labour Force survey data – Eurostat Statistics (see scheme 5.2).

Table 2.3 presents more detailed employment by categories for the 'health and social work' sector. Employment in the health sector and two categories of employment in social work can be distinguished: "Residential care activities" and "Social work activities without accommodation". There is a substantial difference in the relative importance of employment in social work activities. Health activities represent 45-90% of the health and social work sector. In Northern and Western European countries, social work activities provide a similar amount or even more workplaces than the health sector (e.g. in Denmark 37.9% of workers work in the health sector, 23.7% of workers work in residential care activities and 38.4% of workers work in other social work activities). There is a similar situation in Sweden and the Netherlands. We can also distinguish countries where residential care provides more jobs than other social work activities (e.g. Netherlands).

Table 2.3 Detailed categories as % of employment in the Health and Social Work sector (4th quarter 2009)

	Human health	Resident. S. Work	S. Work w/o acc.	Total N		Human health	Resident. S. Work	S. Work w/o acc.	Total N
Austria	66.7	17.1	16.2	402.6	Latvia	79.8	10.6	9.6	41.5
Belgium	48.9	25.4	25.7	595.9	Lithuania	89.4	10.6	0	93.4
Bulgaria	69	9.8	21.2	168.4	Luxembourg	51.2	27.2	21.6	21.3
Cyprus	78.6	11.9	9.5	16.8	Malta	67.5	32.5	0	12.3
Czech Republic	72.7	16.9	10.4	340	Netherlands	43.4	30.1	26.4	1396.1
Denmark	37.9	23.7	38.4	512	Poland	75.4	9.7	14.9	899.1
Estonia	76.9	23.1	0	28.6	Portugal	57.7	22.5	19.9	344.7
Finland	48.1	19.5	32.4	378	Romania	81.4	8.9	9.7	406.4
France	54.8	15.3	29.9	3274.8	Slovakia	65.7	18	16.3	151.1
Germany	60.2	22.5	17.4	4715.8	Slovenia	75.3	19.5	5.2	56.3
Greece	85.1	5	9.9	240.5	Spain	68.2	17.6	14.3	1332.5
Hungary	64.5	22.7	12.8	251.4	Sweden	44.2	31.2	24.6	681.9
Ireland	63	10.2	26.7	233.4	UK	54.4	20	25.6	3811.7
Italy	73.9	14.9	11.2	1627.9					

Source: Labour Force survey data – Eurostat Statistics (see scheme 2.2).

Measuring public sector employment is done by using ILO LABORSTA aggregate statistics because they are statistics which distinguish between the private and public sector. Data in the ILO statistics come from various types of data sources, which raises questions about data consistency and comparability.

Before the presentation of data we have to address the data characteristics and connected problems:

1) ILO data are in three basic formats, of which only two will be used. The first format compares the government sector, public sector and total employment (in Table 2.4 total public employment consists of the general government sector and publicly owned enterprises).

2) Format of data contains information about the sector composition of public employment based upon the International Standard Classification of all Economic Activities (Table 2.5). Thus one can distinguish between the following categories:

   - A+B Agriculture and fishing
   - C Mining and quarrying

- D Manufacturing
- E Electricity, gas and water supply
- F Construction
- G Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
- H Hotels and restaurants
- I Transport, storage and communications
- J Financial intermediation
- K Real estate, renting and business activities
- L Public administration and defense; compulsory social security
- M Education
- N Health and social work
- O Other community, social and personal service activities

For this analysis the most important categories are L, M, N and O. There are several important data limitations. Firstly, not all EU27 countries are present in both types of tables. Secondly, for some countries not all indicators are presented. In the case where more recent data were incomplete, we used the most recent available years with a complete set of indicators. Thirdly, in the cases where there are logical inconsistencies in the data (e.g. most noticeably, public employment figure was bigger than total employment), the original data are used. Fourthly, in the table below, the unavailability of concrete values (quoted n.a.) is in most cases caused by a very small number of pubic sector workers in some branches of the economy.

Table 2.4 Employment in the public sector (in thousands and share of total employment), EU countries

Country	Year	General Government Sector	Total Public Sector	Total Employment	Share of TE	SOURCE	Unit of measurement
Austria	2009	486.8	n.a.	n.a.	-	Administrative records (rel. sour.)	Full time equivalent employment
Bulgaria	2008	408.1	627.6	2415.2	0.26	Establishment survey	Persons with regular contracts
Cyprus	2008	57.1	67.1	381.9	0.18	Official estimates	Total employment
Czech Republic	2007	663.8	1006.7	5186.5	0.19	Labour force survey	Total employment
Denmark	2008	840.9	922.9	2857.6	0.32	Administrative records (rel. sour.)	Total employment
Estonia	2008	130.2	155.5	656.5	0.24	Labour force survey	Total employment
Finland	2007	n.a.	666	2531	0.26	Labour force survey	Total employment
France	2006	6033	6718	23141	0.29	Combination of different sources	Unknown
Germany	2009	4060	5747	40271	0.14	Combination of different sources	Total employment
Greece	2008	392.3	1022.1	4582.5	0.22	Labour force survey	Total employment
Hungary	2008	822.3	822.3	2811.7	0.29	Establishment survey	Total employment
Ireland	2008	331.6	373.3	2108.5	0.18	Establishment survey	Total employment
Italy	2008	3586.6	3586.6	24996.3	0.14	Labour force survey	Full time equivalent employment
Latvia	2008	247.9	320.1	1004.3	0.32	Establishment survey	Total employment
Lithuania	2007	347	430.8	1291.8	0.33	Establishment survey	Persons with regular contracts
Luxembourg	2008	37.5	37.5	348.7	0.11	Official estimates	Total employment
Malta	2006	42.3	46.9	152.5	0.31	Labour force survey	Total employment
Netherlands	2005	1047.6	1780.4	6488.7	0.27	Combination of different sources	Full time equivalent employment
Poland	2007	1642.7	3619.8	13771.1	0.26	Establishment survey	Full time equivalent employment
Portugal	2007	666.5	n.a.	n.a.	-	Labour force survey	Total employment
Romania	2008	n.a.	1723.4	9369.1	0.18	Labour force survey	Total employment
Slovakia	2008	287	519.2	2280	0.23	Establishment	Total employment

						survey	
Slovenia	2008	153.6	236.4	847.1	0.28	Administrative records (rel. sour.)	Total employment
Spain	2008	2799.1	2958.6	20257.6	0.15	Labour force survey	Total employment
Sweden	2007	n.a.	1267.4	3742.5	0.34	Establishment survey	Total employment
United Kingdom	2008	5491	6070	n.a.	-	Official estimates	Total employment

Note: "General government sector" consists of government units, social security funds and other non-profit institutions. "Total public sector" consists of general government sector and publicly owned enterprises.

Source: ILO LABORSTA.

Table 2.5 Employment in the public sector in EU countries by sector (thousands)

	A+B	C	D	E	F	G	H	I	J	K	L	M	N	O
Bulgaria	10.1	7.4	12.8	34.5	6.3	0.9	5.2	68.2	1.8	22.9	131.6	172	106.6	47.3
(2008) %	15.8	26.4	2.1	66.3	3.2	0.2	4.8	40.8	3.6	13.8	100	96.5	83.9	47.2
%	31.7	14.9	47.7	25.8	23.8	55.6	73.1	35.8	66.7	50.2	63.3	81.6	80.9	55
Cyprus	0.5	n.a.	0.2	2	4.4	0.1	n.a.	5.5	0.6	0.8	27.8	14.2	8.1	2.9
(2008) %	1.8	n.a.	0.5	*111.1	11.4	0.1	n.a.	22.4	3.5	3.3	100	70	53,3	16.8
%	20	n.a.	n.a.	35	9.1	n.a.	n.a.	36.4	66.7	50	39.9	68.3	69.1	31
Czech	14.3	6.9	8.9	20	1.3	0.8	5.5	140.3	2.1	21.1	304.7	241.1	180.4	56.5
Republic %	7.4	15.2	0.6	34.3	0.3	0.1	3.0	40.1	2.5	4	99.9	89.4	65.9	31.1
(2006) %								not available						
Denmark	1.6	n.a.	1	8	1.5	1.2	2.6	45.6	1	25	141.9	202.7	446.1	58.5
(2007) %	1.9	n.a.	0.3	55.9	0.8	0.3	2.9	26.1	1.3	7.3	96.1	97	89.9	40.8
%	18.8	n.a.	20	27.5	6.7	50	76.9	36.2	50	56.4	52.1	61	84.4	43.1
Estonia	1.2	3.5	n.a.	6.4	1	n.a.	1.2	10.6	n.a.	5	37.7	54.5	21.8	11.4
(2008) %	4.7	58.3	n.a.	71.9	1.3	n.a.	5	19	n.a.	9.6	98.2	91.4	69	35.2
%	n.a.	n.a.	n.a.	26.6	n.a.	n.a.	100	47.2	n.a.	70	55.4	80.2	89	69.3
Finland	9	n.a.	n.a.	n.a.	6	1	9	9	1	60	113	138	285	25
(2008) %	7.9	n.a.	n.a.	n.a.	3.3	0.3	10.1	5.2	1.9	19.2	97.4	85.2	74.2	17.4
%	55.6	n.a.	n.a.	n.a.	n.a.	n.a.	88.9	22.2	100	53.3	55.8	67.4	91.6	52
Greece	2.9	9.4	15.7	37	3.6	7.1	2.6	59.7	40.9	7.7	390.9	237.6	154.3	48.3
(2007) %	0.6	51.9	2.8	92.5	0.9	0.9	0.8	22.3	36.3	2.6	100	72.4	64.1	29.7
%	13.8	4.3	24.8	22.4	8.3	31	69.2	26.6	50.6	55.8	36.3	60.9	65.9	22.8
Hungary	3.5	n.a.	14.5	0.7	0.8	n.a.	16.9	5.7	0.2	18.1	265.5	266.5	191.7	38.2
(2008) %	4.0	n.a.	2.1	1.5	0.6	n.a.	18.4	2.7	0.3	6.9	100	98	92.8	44.9
%								not available						
Italy	1.5	n.a.	0.4	5.4	2.6	1.4	1.6	12.5	n.a.	110.5	1358.4	1285.4	746.5	84.8
(2008) %	0.1	n.a.	0	4.2	0.1	0	0.1	0.8	n.a.	3.7	100	82.5	47.9	9.1
%								not available						
Latvia	3.4	n.a.	2.1	11.6	1.5	0.1	0.3	31.2	1.5	19	77.6	94.9	47.7	29.1
(2008) %	15.3	n.a.	1.4	80.6	1.7	0.1	0.9	36.5	6.5	18.6	100	93.1	80.6	51.6
%								not available						
Lithuania	6.5	n.a.	2.9	17.6	2.1	0.4	0.6	30.2	0.9	18.4	83.4	154.8	82.4	30.5
(2007) %	19	n.a.	1.2	71.3	1.8	0.2	1.7	30	4.7	19.3	99.6	96.9	86.1	58.3
%	32.3	n.a.	41.4	27.3	19	100	66.7	45.4	55.6	60.3	48	77.3	84.2	55.7

Luxembourg	0.1	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	0.6	n.a.	1	17.8	13.5	0.8	3
(2008)	1.9	n.a.	n.a.	35.3	n.a.	n.a.	n.a.	2.1	n.a.	1.7	*101.1	81.3	3	24.6
	n.a.	n.a.	n.a.	16.7	n.a.	n.a.	n.a.	0.3	n.a.	40	45.5	49.6	62.5	30
Malta	0.6	n.a.	2.0	3.3	2.5	0.1	n.a.	3.9	0.6	0.6	14.3	8.3	9	1.5
(2006) %	27.3	n.a.	7.5	97.1	20.5	0.4	n.a.	33.9	9.4	6.6	99.3	67.5	77.6	25
%	0	n.a.	5	6.1	4	n.a.	n.a.	20.5	n.a.	n.a.	30.1	57.8	51.1	6.7
Netherlands	1.1	n.a.	71.6	27.8	n.a.	0.4	n.a.	88.6	2.7	30.8	439.9	405.8	746.2	44.9
(2007) %	0.5	n.a.	8.5	97.2	n.a.	0	n.a.	21.8	1.1	2.5	98.4	*120.9	86.4	14.4
%	not available													
Poland	37.6	139.5	144.8	171.1	24.5	15.7	17.3	309.4	66.7	143.6	894.4	958.3	548.8	148.1
(2007) %	1.7	77.4	5.3	79.5	3.1	0.7	7.2	40	20.4	13.2	99.9	92.8	74.4	36.5
%	25.5	10.8	25.6	22.4	20	47.1	71.7	34.6	71.1	51.9	46.9	77.3	81.9	52.7
Romania	34.6	46.7	54.6	79.4	33	21.6	n.a.	161	19.2	44.1	475.7	373.1	315.2	58.8
(2008) %	1.3	43.6	2.8	49.2	4.4	1.8	n.a.	31.7	17.4	14.8	99.9	94.2	79.6	27.9
%	16.8	n.a.	35	21.7	n.a.	63.4	n.a.	35.1	75	47.6	37.3	75.6	77.9	40
Slovenia	0.3	2.1	14.3	9.9	3	2.5	2.7	19.9	10.6	7	50.5	57.6	43.8	12.1
(2008) %	4.3	61.8	6.4	86.1	3.4	2.1	7.9	33.9	45.1	8.4	99.8	95.2	82.6	36.3
%	33.3	9.5	26.6	20.2	6.7	76	63	25.6	67	47.1	51.9	80	82.6	44.6
Spain	14.7	2	10.3	11.7	10.7	3.4	6.1	138.2	2.7	49.2	1242.7	727.2	663	76.6
(2008) %	1.7	3.8	0.3	10.4	0.4	0.1	0.4	11.7	0.5	2.4	97.3	64.2	51.9	9
%	19	10	33	22.2	17.8	29.4	63.9	30.5	48.1	48.6	40.8	62.5	75.7	44.3

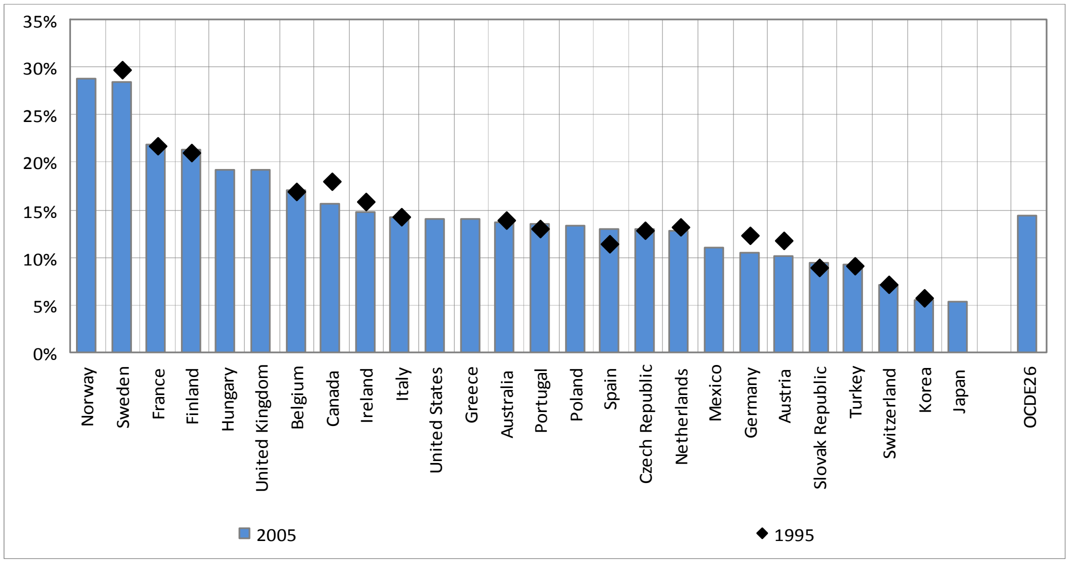
*data contains logical error.

Source: ILO LABORSTA.

For each country (if available): First line = public employment (in thousands), second line = public employment as a share of total employment (in percent), third line = women in public employment as a share of total public employment (in percent).

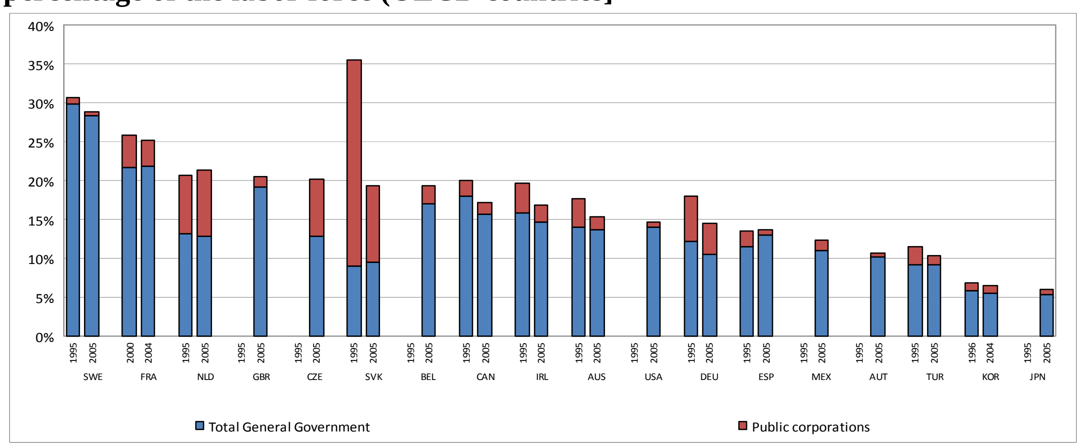
The ILO classification is used to distinguish the share of public employment in the economy (see note under the table). The overall share of public sector employment as a percentage of total employment according to accessible ILO data is very different among European countries (see table 2.4 above). There are five countries where public sector employment is more than 30% of total employment (Sweden, Lithuania, Denmark, Latvia and Malta), ten countries with a share between 20 and 30% (Hungary, France, Slovenia, Netherlands, Finland, Poland, Bulgaria, Estonia, Slovakia and Greece) and eight countries where this share is less than 20% (the Czech Republic, Romania, Ireland, Cyprus, Spain, Germany, Italy and Luxembourg). For comparison two graphs are presented below with OECD data from 2005 (latest year available).

Graph 2.1 Employment in general government as a percentage of the labour force (OECD countries)



Source: OECD Government at the Glance, 2009 – see note [21]

Graph 2.2 Employment in general government and public corporations as a percentage of the labor force (OECD countries]



Source: OECD Government at the Glance 2009 – see note below previous graph.

In the next step, ILO LABOURSTA data is used in an attempt to estimate which sectors are the most important sources of public employment in the EU countries (scheme 2.3). Two basic questions are addressed:

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[21] http://www.oecd-ilibrary.org/sites/9789264075061-en/05/01/index.html?contentType=&itemId=/content /chapter/9789264061651-13-en&containerItemId=/content/serial/22214399&accessItemIds=/content/book/9789264075061-en&mimeType=text/html

a) What is the relative share of sectors (especially sectors L, M, N and O), which represent mostly social services in the broad definition, in total employment?
b) How important is public sector employment in these sectors?

Two basic criteria to estimate the importance of the public sector in the EU countries are used. First, the sectors are divided by their relative share in the economy into three groups: small (less than 5% of total employment), middle (5 to 10%) and large (more than 10%). This choice is based on the relative size of different sectors in employment. These three groups are shown in Table 2.5 on the X axis (from left to right). It can be seen that the biggest sectors in all countries are D (industry) and G (trade) as expected; in some countries F (construction) and K (real estate) are among the largest too. Typically small sectors are A (agriculture), C (mining), E (electricity, gas and water supply) and J (financial intermediation). Sectors L (administration), M (education) and N (health service), which can be understood as the core of social services, are usually in the intermediate position and together they create a large part of employment in European Union member countries.

The second criterion used was the share of public employment in total employment in the specific sector (Y axis in table 2.5, from top to bottom). Again we used three categories: less than 10%, 10 to 50% and more than 50%. Typically, private sectors are among the middle and large sectors D, G, K, F (industry, trade, real estate and construction) and also among small sectors A, H, J (agriculture, hotels, financial intermediation). There are two important mixed sectors: I (transport), which is typically in the middle size category, and O (other social service), which is usually in the small size category. In the public sector we have three basic categories of middle sized public sector: L (administration), M (education), N (health service), the small category E (electricity, gas and water supply) and the very small category C (mining). In spite of the fact that these data are not available for all EU countries, it can be concluded that public sector employment is concentrated mainly in categories L (administration and social security), M (education), N (health and social work) and O (other social services). To conclude, sectors L (administration and social security) and N (health and social work), which are probably the sectors subsuming the most social services, are sectors which in most countries constitute 5-10% of total employment (exceptions for the health sectors are Denmark, Finland and the Netherlands). These sectors (L and N) are in most countries sectors where public employment prevails (exceptions are Luxembourg and Italy for the health sector).

Scheme 2.3 Comparative grid of public sector share and overall sector size in the EU

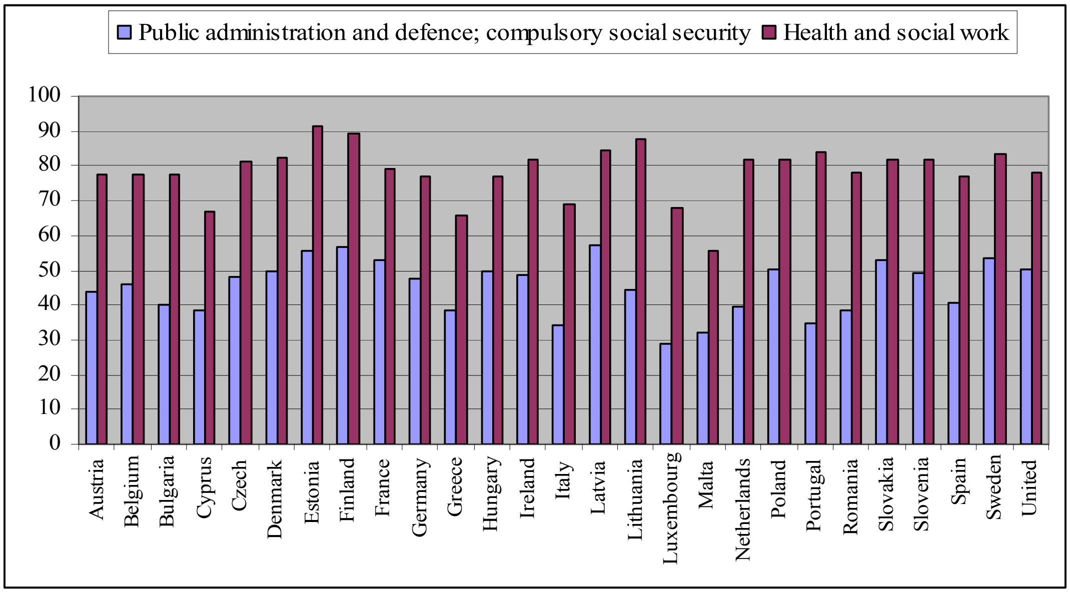
	Small (< 5%)	Middle (5-10%)	Large (> 10%)
Private < 10% is public	A (CZ, DK, EE, FI, HU, LU, NL, SI, ES) C (ES) E (HU, IT) F (HU) H (BG, CZ, DK, EE, LV, LT, PL, SI) J (BG, CY, CZ, DK, FI, HU, LV, LT, MT, NL, ES) **O (IT, ES)**	A (CY, IT) F (BG, CZ, DK, FI, GR, IT, LV, LT, PL, RO) H (GR, IT, ES) I (FI, HU, IT, LU) K (CY, EE, GR, HU, MT, SI) **N (LU)**	A (GR, PL, RO) D (BG, CY, CZ, DK, GR, HU, IT, LV, LT, MT, NL, PL, RO, SI, ES) F (EE, SI, ES) G (BG, CY, CZ, DK, FI, GR, IT, LV, LT, MT, NL, PL, RO, SI, ES) K (CZ, DK, IT, LU, NL, ES)
Semi-public 10 – 50% is public	A (BG, LV, LT, MT) C (BG, CZ) E (CZ, LU, RO, ES) H (FI, HU) J (GR, PL, RO, SI) K (RO) **O (BG, CY, CZ, EE, GR, HU, LU, MT, NL, PL, RO, SI)**	F (MT) I (BG, CY, CZ, DK, EE, GR, LV, LT, MT, NL, PL, RO, SI, ES) K (BG, LT, PL) **O (DK, FI)** **N (IT)**	F (CY) K (FI, LV)
Public > 50% is public	C (EE, GR, PL, RO, SI) E (BG, DK, EE, GR, LV, LT, MT, NL, PL, SI) L (FI) M (LU, RO) N (CY, EE, RO) O (LT)	**L (BG, CY, CZ, DK, EE, GR, HU, IT, LV, LT, MT, NL, PL, RO, SI, ES)** **M (BG, CY, CZ, DK, EE, FI, GR, HU, IT, MT, PL, SI, ES)** **N (BG, CZ, GR, HU, LV, LT, MT, PL, SI, ES)** **O (LV)**	**M (LV, LT)** **N (DK, FI, NL)**
N.A.	C (CY, DK, FI, HU, IT, LV, LT, LU, MT, NL) E (CY, FI) H (LU, NL, RO) J (EE, IT)	F (NL) H (MT) **L (LU)** **M (NL)**	D (EE, FI, LU) F (LU) G (EE, HU, LU) H (CY) J (LU)

Source: own calculations based on ILO LABORSTA data.

2.4 Gender aspect of employment in the social services and the public sector

The gender aspect of employment in social services and the public sector will now be discussed. Social services are again defined by NACE (rev. 1) categories “Public administration and defence; compulsory social security” and “Health and social work” (see graph 2.3). The employment ratio of women in public administration and the defence sector is from 30 to 55% in all EU27 countries, but this includes the armed forces (which are male dominated). As expected, the health and social work sector is the sector with female prevalence in all countries (55-90% of workers are women; in most countries, the proportion of women is close to 80%).

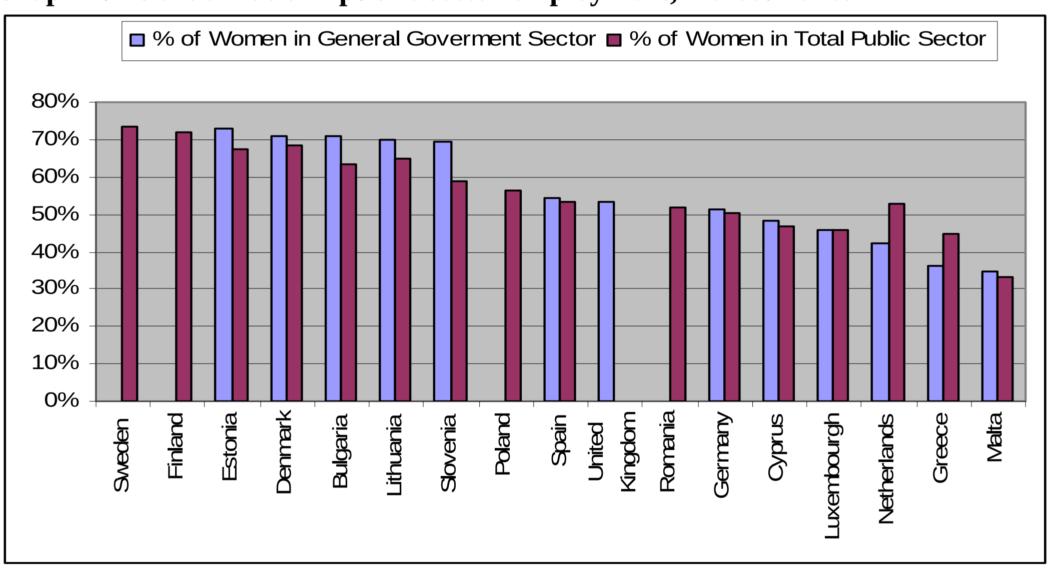
Graph 2.3 Gender ratio in employment in public administration and defence, compulsory social security and in health and social work, EU countries



Note: Data for most countries are from 4th quarter of 2008, but 4th quarter of 2007 for Bulgaria, Poland, Slovenia and Sweden.
Source: Labour Force survey data – Eurostat Statistics (see scheme 2.2).

Graph 2.4 shows the percentage of women employment in the public sector. Most women work in the public sector in Nordic and Eastern European countries (usually more than 70%). In continental countries (Germany, Netherlands), the ratio between men and women is equal or even with more men, indicating a later development of social services.

Graph 2.4 Gender ratio in public sector employment, EU countries



Source: ILO LABORSTA.

Data from the above Table 2.5 is used to compare the sector composition of women's employment in the public sector. In Scheme 2.4 below, the countries are grouped by sector and by level of women's employment. This shows that it is possible to distinguish sectors where men dominate in most countries: A (agriculture), C (mining), D (industry), E (electricity, gas and water supply) and I (transport). Women usually dominate in H (hotels and restaurants), J (financial intermediation), M (education) and N (health and social work).[22] In categories L (administration and defence) and O (other community and social services) the balance is more equal. It can be concluded from the data that public sector employment in social services is dominated by women.

Scheme 2.4 Gender ratio in sectors of employment in the public sector, EU countries

	0-20	**20+ – 40**	**40+ – 60**	**60+ – 80**	**80+ – 100**	**N.A.**
A+B agriculture	CY, DK, GR, MT, RO, ES	BG, LT, PL, SI	FI			EE, LU
C mining	BG, DK, GR, PL, SI, ES					CY, DK, EE, FI, LT, LU, MT, RO
D industry	MT	GR, PL, RO, SI, ES	BG, LT			CY, EE, FI, LU
E electricity, gas, water	LU, MT	BG, CY, DK, EE, GR, LT, PL, RO, SI, ES				FI
F construction	CY, DK, GR, LT, MT, PL, SI, ES	BG				EE, FI, LU, RO
G trade		GR, ES	BG, DK, PL	RO, SI	LT	CY, EE, FI, LU, MT
H hotels				BG, DK, GR, LT, PL, SI, ES	EE, FI	CY, LU, MT, RO
I transport	LU	BG, CY, DK, FI, GR, MT, PL, RO, SI, ES	EE, LT			
J financial			DK, GR, LT, ES	BG, CY, PL, RO, SI	FI	EE, LU, MT
K real estate		LU	BG, CY, DK, FI, GR, PL, RO, SI, ES	EE, LT		MT
L administ.		CY, GR, MT, RO	DK, EE, FI, LT, LU, PL, SI, ES	BG		
M education			LU, MT,	CY, DK, FI, GR, LT, PL, RO, SI, ES	BG, EE	
N health			MT	CY, GR, LU, RO, ES	BG, DK, EE, FI, LT, PL, SI	
O social serv.	MT	CY, GR, LU, RO	BG, DK, FI, LT, PL, SI, ES	EE		

[22] A European Commission (2010) analysis states that women represent more that 78% of employment in the health and social services sector in the EU27.

2.5 Age structure of employment in social services and the public sector

This section looks at the age structure of social services and public sector employment in the EU. The two tables below are based upon Eurostat aggregate data. However, the age categories provided by Eurostat are not suitable for our purpose, because the age category 25-49 is too large. Unfortunately, the average wage of workers per country is not provided and cannot be computed from the data.

In the public administration and defence and compulsory social security sectors, most workers are in the age category 25-49 (usually 60-70%). The share of workers aged 50-64 years is 20-30% and other categories are the rest (0-11%). In most countries the share of women workers aged over 50 is larger than average. In the health and social work sector, most workers (60-75%) are in the age category 25-49 years as well. The difference among EU countries in the percentage of workers in the 50-65 age category is somehow larger (15 to over 40%). The share of women in the 50-64 age category is in most cases similar or below average. It is notable that in Northern European countries (Sweden, Finland) and some Eastern European countries (Bulgaria, Estonia, Latvia and Lithuania), the share of workers in the 50-64 age category is more than 35%.

Table 2.6 Age structure of workers in public administration and defence, compulsory social security (4th quarter 2009), in percent

	Total employment					Women Employment				
Age groups	15-24	25-49	50-64	65 and over	Total N	15-24	25-49	50-64	65 and over	Total N
Austria	7.2	65.5	27.3	0	271.4	9.2	68.6	22.2	0	123.7
Belgium	3.7	66.2	30.1	0	409.4	4	70	26	0	191.2
Bulgaria	3.7	72.6	23.6	0	224.6	0	67.1	32.9	0	95.8
Cyprus	3.2	72.4	24.4	0	27.9	5.9	73.3	20.8	0	10.1
Czech Republic	4.8	65.7	28.3	1,2	333.7	3.4	62.9	33	0.8	159.6
Denmark	6.6	60.8	32.6	0	173.2	3.5	66.3	30.3	0	100.8
Estonia	0	66.5	33.5	0	33.7	0	54.5	45.5	0	20
Finland	2.3	61	36.6	0	119.3	0	58.7	41.3	0	64.9
France	4.7	64.5	30.2	0.6	2577.6	4.6	62.3	33.2	0	1380.4
Germany	7.8	57.5	34.7	0	2857.6	7.7	60.9	31.4	0	1340.7
Greece	3.2	72.5	24.3	0	371.7	3.2	70.7	26.1	0	140.8
Hungary	5.9	69.2	24.9	0	294.3	4.8	65.4	29.8	0	157.3
Ireland	3.7	70.3	26	0	106.2	0	75.3	24.7	0	50.6
Italy	1.7	64.5	33.4	0.5	1413.3	0	62.7	37.3	0	484.4
Latvia	9.7	74.2	16.2	0	63.1	8.5	72.4	19	0	35.2
Lithuania	0	79.1	20.9	0	78	0	75.8	24.2	0	41.8
Luxembourg	7.9	71.8	20.3	0	24.1	0	80.2	19.8	0	9.1
Malta	11	64.9	24	0	15.4	0	100	0	0	4.2
Netherlands	5.9	60.9	32.2	1.0	574.8	5.5	70	24.5	0	228
Poland	7.1	71.2	21.7	0	1047.7	8.9	67.1	24	0	526.6
Portugal	6.2	67.2	26.6	0	330	0	67.9	32.1	0	119.4

Romania	3.6	76.9	19.4	0	478.8	0	74.5	25.5	0	179
Slovakia	4.9	72.1	23	0	176.7	5.2	68.9	25.9	0	82.2
Slovenia	4.1	75.3	20.6	0	60.3	3.1	74.6	22.3	0	31.9
Spain	4.4	65,8	28.9	0.9	1383.4	2.6	69.1	27.4	0.9	567.9
Sweden	2.9	56,4	38.1	2.5	269.2	3	57.2	36.8	3.0	154.6
UK	6.5	66,6	25.3	1.5	1932.6	5.7	67.3	25.5	1.5	943.6

Source: Labour Force survey data – Eurostat Statistics (see scheme 2.2).

Table 2.7 Age structure of workers in health and social work (4th quarter 2009), in percent

	Total employment					Women Employment				
Age groups	15-24	25-49	50-64	65 and over	Total N	15-24	25-49	50-64	65 and over	Total N
Austria	10.8	69.1	20.1	0	398.9	11.1	70.5	18.4	0	316.2
Belgium	7.9	66.4	25	0.8	596.1	9.1	67.7	23.2	0	459.2
Bulgaria	0	61.7	38.3	0	162.3	0	62.3	37.7	0	131.8
Cyprus	7.9	58.2	33.9	0	16.5	7.9	60.5	31.6	0	11.4
Czech Republic	5.6	64.5	28.1	1.8	340	5.7	64.6	28	1.7	275.4
Denmark	10.4	59.6	29	1	512	9.4	60.7	29.9	0	412.1
Estonia	0	57.2	42.8	0	27.1	0.0	57	43	0	25.1
Finland	6.3	57.7	35.3	0.7	377.9	5.7	57.9	35.8	0.6	336.3
France	6.5	64.7	28.1	0.6	3274.9	6.6	65.8	27.2	0.5	2564.2
Germany	11.5	60.7	26.5	1.3	4715.7	12.3	61.1	25.7	0.9	3648.5
Greece	3.1	72.1	23.4	1.4	240.5	3.9	77.4	18.7	0	162.1
Hungary	3.6	66.1	29	1.3	251.4	3.7	66.6	29.8	0	193.6
Ireland	5.6	65.5	27.1	1.8	233.3	6.1	65.5	26.6	1.7	190.6
Italy	1.9	67.4	29.5	1.2	1627.8	2.5	72.7	24.4	0.4	1103.3
Latvia	0	57.6	42.4	0	37.3	0	59.7	40.3	0	33
Lithuania	0	63.3	36.7	0	91.2	0	65	35	0	80.6
Luxembourg	13.3	71.1	15.6	0	21.1	13.6	70.1	16.2	0	15.4
Malta	0	68.9	31.1	0	11.9	0	67.2	32.8	0	6.4
Netherlands	11.3	58.9	28.6	1.3	1396.1	11.8	60.3	27.2	0.7	1137.7
Poland	3.9	67.4	27	1.6	899.1	3.6	68.8	26.3	1.2	743.7
Portugal	6	68.2	25.8	0	337.8	5.9	70.1	24	0	285.4
Romania	2.5	72.2	25.3	0	404.8	2.8	73.6	23.6	0	313.1
Slovakia	3.8	65.8	30.3	0	149.3	3.3	67.3	29.4	0	126.9
Slovenia	6.8	72.8	20.3	0	55.6	6.4	72.6	21	0	42
Spain	5	64.5	29.6	0.9	1332.6	5.4	65.6	28.4	0.5	1021
Sweden	7.2	55.6	35.3	1.9	681.9	6.9	55.9	35.6	1.6	562.2
UK	9	59.8	29	2.3	3811.6	9.1	59.9	28.7	2.3	2997

Source: Labour Force survey data – Eurostat Statistics (see scheme 2.2).

The analysis is provided in a cross-sectional perspective. Even more important is discussion about the past and future development of size of employment in social services and public sector because of its expected impact on quality of life of European citizens as well as impacts on public spending. A dynamic perspective of employment-level development is in some aspects presented by the analysis of labour force data in the European Commission (2010). Until recently at least, there has been growth in employment in most countries in the health and social work sector.

2.6 Other important aspects of development of social services and employment in social services and the public sector

Basically, four types of consequences for development in social services and the public sector are important:

1) employment level in social services and the public sector
2) characteristics of workers and employees in social services and public sector
3) quality of employment (job quality including wages) in social services and public sector
4) impact of development on the individual actors including public and private institutions, and accessibility and quality of the services.

The central question concerns service availability and quality. While issues of employment in social services and the public sector were discussed in the previous sections, here the remaining three issues are addressed.

Characteristics of workers and employees in social services and the public sector

Feminisation, immigration and ethnic aspects in social services and the public sector

Most studies from EU countries show that social services and public employment are nowadays dominated by women (usually 60-80% of the social service sector and 60-70% of public sector employees are women) (see e.g. UNIFEM, 2006; EC, 2010 and also data section of this paper). There are several reasons for the feminisation of the public sector. From a historical perspective, in the 1960s and 1970s governments purposefully encouraged women to enter the labour market and work in the public sector (Heinemann, 2008). Later, the declining number of possibilities for men was due to a reduction of low-skill jobs (e.g. gardening, garbage disposal and maintenance) (Hogwood, 2008) while demand for services in health and social services for example continued to expand. In many countries women have reached similar or even higher education levels than men in recent years. Nevertheless, women are usually over-represented in the lower (less attractive) levels of the public sector (Alba & Navarro, 2008; Pierre, 2008a; Heinemann, 2008). The situation may differ from one country to another and by sector of employment; the most feminised sectors are education and health care (see ILO data), elderly care (Simmonazzi, 2010) and childcare (Plantenga & Renety, 2009).

Education level of workers in social services and the public sector

Public sector workers are usually divided into several formal categories, each of which has its own qualification requirements (or formal knowledge based on tests) and sometimes special schools and universities preparing students for public service.

> "State expansion went hand in hand with education expansion. This development favoured mainly women: an overwhelming part of the rising number of women in higher education (in absolute as in relative terms) found a position in the public services" (Rothenbacher, 2004).

The overall qualification level in health and public services is medium and high (European Commission, 2010). In personal services such as child care and elderly care, qualification demands and levels might be lower in some countries (Plantenga & Renety, 2009; Simonazzi, 2010). In child care there is a substantial difference in education levels between state-owned facilities and private childminders (Plantenga & Renety, 2009). To save costs private elderly-care providers in Germany employ underqualified or untrained staff (Simonazzi, 2010). Overall, in some parts of social services and the public sector, there are substantial differences among countries in the educational requirements and real educational levels of the workforce (see Simonazzi, 2010).

<u>Changing the status of social service (public sector) employees</u>: The main change is seen in the transition from "civic service" status to labour contract (Derlien & Peters, 2008). Civil servant status is defined by law in many European countries, resulting in different scope of civil service (number of civic service employees) as well as inclusion or exclusion of various professional groups to or from civil service (Rothenbacher, 2004). Traditionally, public service is seen as a special status with special protection and support by the state (e.g. special pensions) (ibid.). It is usually connected to full-time employment, high employment security and graded salaries based upon the years of service.[23] In many countries public service positions were pioneers of today's commonplace social benefits connected to work (e.g. holidays). In some countries many high level civil service jobs are directly connected to political party membership (based upon favouritism and patronage) and are thus subject to frequent changes in the case of political change (Derlien & Peters, 2008; Alba & Navarro, 2008). On the other hand, a labour contract can be characterised by a limited duration and the wage based upon the individual assessment of the supervisor. Labour contracts are more typical for lower positions and local level public sector jobs. In many countries, the number of civil servants is reduced by removing some categories from civil service; new employees work under less favourable conditions than those employed before the reforms (Brandt & Schulten, 2007). This process is also partially connected to the privatisation of public/social services.

<u>Ageing workforce and pension plans in social services and the public sector</u>

Employment in social services and the public sector is expected to grow older. There is already some evidence that workforce in the health and social services sector is ageing (see European Commission, 2010). In the past, pension plans and preliminary retirement

[23] There are also some duties and restrictions connected to public service status, such as a limited right to strike, or restrictions in obtaining other employment that could lead to a conflict of interests (see Rothenbacher, 2004; Derlien & Peters, 2008).

strategies were used as an easy measure to reduce public employment (Nelson, 2008). In some countries old-age pensions of the "armies of public servants" are seen as a threat to economic stability (see Rothenbacher, 2004; Rouban, 2008). The core of the problem is seen in the more advantageous pension conditions of public servants than that of the private sector (see e.g. Rothenbacher, 2004). Governments have tried to solve this problem by reducing the advantages and by prolonging years of service (retirement age).

Part-time employment

The development of part-time employment in social services and the public sector is strongly associated with the growth of women's employment (see Hogwood, 2008; Christensen & Pallesen, 2008). Usually the public sector is discussed in connection to the growth of part-time employment, Sweden and Denmark being an interesting exception (Pierre, 2008a; Denzin, 2008b). Sometimes part-time employment (or shortening of working week time) is seen (and was used in the past) as a deliberate political strategy aimed at increasing the number of jobs or saving money in the public sector (Rouban, 2008). In some countries part-time work is more common in the social services and the public sector than in the whole economy; more than 70% of part-timers are women (Heinemann, 2008). An analysis by the European Commission (2010) shows that part-time employment in health and social services (31.6%) in EU 27 is much higher than in the whole economy (18%), but there are substantial differences among countries. System computerisation in France resulted in productivity gains allowing the use of part-time workers (Rouban, 2008).

The role of part-time work is not without dispute. Part-time work is sometimes a preferred women's employment strategy (especially in the period of motherhood with relatively small children). In some countries part-time status is legally recognised (permitted or even supported) in the public sector (Heinemann, 2008); however, others argue that part-time work has negative consequences (lower pay, overwork, fewer career possibilities, and lower social protection than full-time employment).

Job quality, service quality and institutional externalities in social services and the public sector

Assessing the impact of social service and public sector development is difficult because these impacts are a) various between countries and sectors, b) hard to measure and c) even harder to prove the connections between specific social service and public sector development and these impacts. There are three main categories of impact.

The first of them regards indicators of job quality in social services and the public sector (e.g. working hours, wages and staff turnover). Job quality in public social services was negatively affected in some EU countries by the recent economic crisis (European Commission, 2010). Where corporatisation led to formal privatisation of previously state-owned services, working conditions differ (they are now usually based on sector or firm-defined collective agreement):[24] on one side, there is not so much evidence of wage dumping (the UK is an exception); however, in some cases flexible arrangements

[24] It is important to note that wages and working conditions might differ according to various collective agreements and between new and old employees.

(part-time, fixed term contracts and more work intensity) are more common than before (Brandt & Schuften, 2007). In some countries and sectors overtime is voluntarily used to obtain an above average wage (ibid.).

Another aspect is job quality in private firms and outsourced services (non-core functions) which have substituted public firms in service delivery. There is some evidence that in these firms job quality is lower, including lower wages, part-time (mini jobs) and formal self-employment (Brandt & Schuften, 2007; Simonazzi, 2010). In some EU countries and sectors, working conditions in the private sector are in various ways regulated in order to be similar to the public sector, thus not in all (but only in some) cases of bargaining decentralisation is connected to different working conditions in the public and private sector (Brandt & Schuften, 2007). In some other cases, privatisation and outsourcing was used as a deliberate strategy to reduce Trade Union power, achieve lower wages and more flexible working conditions (lower labour costs) (Hodge, 1999; Brandt & Schulten, 2007). The consequences in the development of job quality may be in industrial relations, employment attractiveness, employment stability and labour shortages (see Brandt & Schulten, 2007; Simonazzi, 2010).

The last category of impacts is about the quality of the services produced (e.g. service availability and sustainability, staff-client ratio, opening hours, waiting periods, price, etc.). The first criterion of service quality is the availability of service, which should not be at risk for basic services. In many EU countries social service quality is defined by quality frameworks (standards) (European Commission, 2010). Public opinion on quality of public services differs greatly in member states (see European Commission, 2010). Impacts of marketisation are often also discussed in the academic field. It is not a surprise that the marketising of the public sector (including social services) does not always bring lower consumer prices, more competition, less risk of corruption and better services (Needham & Murray, 2005; Brandt & Schulten, 2007; Wollman & Marcou, 2010a; Kuhlmann & Fedele, 2010; Dreyfus et al., 2010; Wollman et al., 2010; Citroni, 2010; Grossi, Marcou & Reichard, 2010). In the health care sector in many countries, the trend was to reduce the number of hospital beds and the average length of stay per patient (see Brandt & Schulten, 2007). In countries with large for-profit sectors, the reduction of public funding may lead to market volatility (European Commission, 2010); however, these are usually only examples of private service failures and inefficiencies, which may not be representative. Another important aspect for users of services and other society is service accountability.

The third type of impact concerns the consequences for the various levels of government. The pros of privatisation are seen in lowering payrolls[25] and management improvements (Kuhlmann & Fedele, 2010; Grossi, Marcou & Reichard, 2010). The process of contracting out, or even a threat of contracting out, have led in many (but not all) cases to some contract expenditure savings[26] of about 10-20% (see evidence in

[25] Privatisation and corporatisation enable public authorities to officially remove labour costs from public budgets; there are probably some cases where workers in private companies are paid lower wages than workers in the public sector (Grossi, Marcou & Reichard, 2010).
[26] Other related costs such as tendering and monitoring are usually ignored in the studies and the overall effect on government spending might even be negative (see Hodge, 1999). Other methodological comparison problems rise from the inability to fully control service quality.

Domberger & Jensen, 1997; Hodge 1999). The cons of service privatisation (or contracting out) are seen in the fragmentation of services, loss or inefficiency of control and government autonomy and worst of all, the loss of financial sustainability (Domberger & Jensen, 1997; Kuhlmann & Fedele, 2010; Dreyfus et al., 2010; Grossi, Marcou & Reichard, 2010).[27] Other risk factors include service self-selection and one-sided contracts resulting in unequal sharing of risks (Needham & Murray, 2005; Grossi, Marcou & Reichard, 2010). Contracting-out can be associated with a relatively high risk of corruption (Hodge, 1999).

Impacts of decentralisation are discussed, especially in two aspects. Firstly, decentralisation gives the decision-making power to the local level and the local capacity to provide services is sometimes limited by technological, legislative and financial factors. In some cases public-private partnerships and privatisations have only led to a change from state monopoly to private monopoly or oligopoly (see Brandt & Schulten, 2007; Wollman et al., 2010; Grossi, Marcou & Reichard, 2010). In other cases local authorities tried to overcome this weakness by building common local public bodies to cover larger areas and share resources (Grossi, Marcou & Reichard, 2010). Secondly, fragmented responsibility for social services might be connected to fragmentation and differences in quality frameworks among regions within the same country (European Commission, 2010).

The discussion of possible consequences of development in the public sector is rather fragmental and hard to generalise; nevertheless, results in various fields (job quality, service quality and public finance consequences) are interconnected.

2.7 Concluding remarks

There have been significant reductions in public sector employment in the production sector (which is beyond the scope of this report). In social services the substantial growth of the public sector in the first two-thirds of the 20th century was followed by stagnation or even a slight decrease at the end of the 20th century (Derlien, 2008).

It is important but nowadays not always possible to distinguish between people working 'in' the public sector and 'for' the public sector (Hogwood, 2008). Despite low data availability and some data inconsistencies, the macro data from various sources about employment in the social service and public sector (Eurostat, ILO) presented above show some clear trends.[28]

Increasing the share of women in the public sector is connected to the substantial change in public sector structure in most countries. There are public sector (functional definition) segments with the potential of further employment growth driven by demand

[27] "By privatising profitable services, for instance electricity supply, municipalities have lost important sources of local income, which had been widely used to cross-finance other, less lucrative sectors of activity (e.g. public transport)" (Kuhlmann & Fedele, 2010). This situation is also described for Belgium and Germany in Brandt & Schulten (2007).

[28] The cross-sectional format of aggregate macro data provided about employment in social services and the public sector are in some cases unsatisfactory for us; work with individual based data is probably needed to provide deeper and more consistent evidence about the social services and public employment sectors.

(e.g. childcare, health care and elderly care). Demand for health and social services is driven by population ageing (European Commission, 2010).

Financial pressures and some management practices, however, often result in lowering the number of employees in the public sector and social services. In some cases, more qualified personnel were replaced with less qualified workers in the same positions. There are also some negative predictions connected to demographic developments (e.g. shrinking labour force, lower productivity and lower consumption by older people) (see discussion in Needham & Murray, 2005). There is some literature about the consequences of employment development but most of it is one country of even one case based. The results of various studies are often not consistent (what happens in one case does not happen in other cases) which make it difficult to provide solid based conclusions. It is surprising that available analyses of social services and public sector development usually ignore external factors like demographic, technological, societal or economic changes (see e.g. Eurofound, 2003).

The inability or unwillingness of some scholars and politicians to seek a solution that is not purely ideological is also surprising. The key issue is not whether services in the public interest are public or private in their legal status, but rather the quality of the services they provide. In this context, the various rules that limit or forbid various institutional solutions are especially important to consider (see examples in Grossi, Marcou & Reichard, 2010).

3. Employment in social services and the public sector in a broader societal context

3.1 Employment in services and social services: driving forces

The level of expenditure on social services has consequences for employment in social services, and the size of public services has an impact on the level of total employment in the field of social services.

There are two important mechanisms that have to be taken into consideration when thinking about employment in social services. The first is welfare state development and the second concerns the economic mechanisms of demand-supply interaction that shape employment structure.

The welfare state influences labour supply by defining the conditions under which people enter and exit the labour market and claim paid work absence from a job (compare Esping-Andersen, 1990). The welfare state also has an impact on labour demand through aggregate-demand management, subsidised employment and also a direct impact on the employer (e.g. in publicly provided social services). Labour demand for social services is also formed by the financial support to for-profit or non-profit actors that provide social services of different kinds and by the regulations related to the conditions and standards for providing these services. Finally, the welfare state influences the match between labour supply and demand by providing employment services, counselling, training and other services (including child care).

Another crucial mechanism is the change in the employment structure where services dominate industrial production. There is an economic assumption of a demand shift towards sectors of services compatible with Engel's law: as nations become richer, consumption shifts from necessities towards 'luxuries'. On the other hand, Baumol's model (1967, 1993) states that the service sector's capacity to create jobs may also be limited because of low productivity growth compared to highly productive manufacturing industries, since personnel services are inconsistent with any standardisation; rather their quality require more human labour and direct personal relations. This productivity lag may become a problem, especially if wages in non-productive service sectors match the wages in the manufacturing industries and the services are not supported with public resources. They may become too costly for consumers.

The development of welfare states in modern times is usually described in two general periods: public sector expansion (in the 1960s and 1970s) and public sector stagnation or decrease (1980s and 1990s). The first period was connected with the nationalisation and centralisation of services in many countries (Wollmann & Marcou, 2010a) the second period with the opposite development. Generally, in most countries education, health and social services expanded whereas transportation and communication services declined (Christensen & Pallesen, 2008).

Wagner's Law (Wagner, 1911)

This law states that "economic development creates demand for new types of government services, and that these government services will tend to rise at a faster pace than economic development" (Martínez-Vázquez & Yao, 2009). Some empirical studies have found that growth of the public sector is to a certain point driven by the economic development of the state, but afterwards public sector employment becomes much more stable (ibid.).

Rent-seeking hypothesis

The assumption here is that there are some pressure groups in society (typically public sector employees, party members) in whose interest it is to promote employment in the public sector. For example, downsizing the public sector can result in a loss of votes, especially if welfare programmes are involved (Tepe, 2009).

Social security thesis

According to this thesis, the public sector serves as a buffer against the risk of economic instability. We may expect that the public sector may be relatively big where other employment possibilities are scarce (see e.g. Rouban, 2008; Pierre, 2008a), or that public employment grows as a response to growing unemployment (Tepe, 2008).

Public sector employment paradox

Employment in the public sector does not always correspond to the public expenditures provided (see Derlien, 2008a). Some parts of the public sector are more people (labour) intensive[29] than others (ibid).

Studies exploring the development of overall public sector employment from the 1970s to the mid-90s indicate that the size of the overall public workforce declined (Cusack et al., 1989; Pennings, 1999; Rothenbacher, 1997, 1998; Suleiman, 2003; Politt & Bouckaert, 2004; Tepe, 2009, p. 7). This was due to the privatisation of public services and public infrastructure (energy, railway, postal services and telecommunication).

In the context of fiscal austerity, it is assumed that policy-makers' dominant response toward growing personnel costs is to reduce public administration employment via privatisation. Nevertheless, Tepe notes that prior studies exploring the effect of fiscal austerity on welfare spending suggest that office-oriented policy-makers have limited willingness to scale down popular welfare services, as such attempts involve a high risk of electoral punishment. He examines the hypothesis on determinants of public administration employment: i) since governments follow anti-cyclical public employment policy in order to reap electoral benefit, growing unemployment would have a positive effect on public employment growth, ii) growing public budget deficits cause a reduction in the growth of public employment whereas iii) growing GDP per capita should have the opposite effect (Cusack et al., 1989). His empirical analysis confirms the above assumptions, which may be to a great extent relevant for social services in general (since they involve large public employment fraction). On the other hand, the rising cost of public employment itself has not appeared as a factor leading to the reduction of public employment. Data from the Eurostat Labour Force Survey show

[29] Labour intensity is measured as a percentage of expenditures given to pay salaries and wages.

the overall trend of growing employment in social services, in this case both public and private sectors are included (see Table 3.1).

Table 3.1 Public administration and social service sector employment (% of total employment), EU-15, Norway and Czech Republic

Legal origin	Country	Public administration (incl. Social security) employment			Health sector and social services employment			Total		
		1995	2005	change	1995	2005	change	1995	2005	change
Civil/ German	AUT	3.9	4.1	0.2	5.3	6.3	1.0	9.2	10.4	1.2
	CZECH	3.3	4.1	0.8	4.0	4.5	0.5	7.3	8.6	1.3
	GER	4.6	3.5	- 1.1	5.9	7.5	1.6	10.5	11.0	0.5
	Av	**3.9**	**3.9**	**0.0**	**5.1**	**6.1**	**1.0**	**9.0**	**10.0**	**1.0**
Civil/ French	BEL	3.4	5.5	2.1	Na	7.5	na	na	13.0	Na
	GRE	0.9	2.6	1.7	2.4	3.1	0.7	3.3	5.7	2.4
	ITA	3.8	3.3	- 0.5	3.2	4.0	0.8	7.0	7.3	0.3
	LUX	3.9	5.2	1.3	3.6	4.8	1.1	8.5	11.0	2.5
	NETH	4.4	4.5	0.1	8.9	11.0	2.1	13.3	15.4	2.1
	POR	4.1	4.3	0.2	3.0	4.6	1.6	7.1	8.9	1.8
	SPAIN	2.1	3.6	1.3	2.5	3.9	1.4	4.6	7.5	2.9
	Av	**3.2**	**4.2**	**1.0**	**4.1**	**5.9**	**1.8**	**7.3**	**10.1**	**2.8**
Civil/ Scandi-navia	DEN	4.0	4.2	0.2	12.4	13.3	0.9	16.4	17.5	1.1
	FIN	3.2	2.8	- 0.4	8.7	10.5	1.8	11.9	13.3	1.4
	NOR	3.8	3.7	- 0.1	13.4	15.4	2.0	17.2	19.1	1.9
	SWE	2.4	4.9	2.5	14.8	12.3	- 2.6	17.2	17.2	0.0
	Av	**3.3**	**3.9**	**0.6**	**12.3**	**12.8**	**0.5**	**15.6**	**16.7**	**1.1**
Common	CAN	3.8	3.6	- 0.2	7.2	7.9	0.7	11.0	11.5	0.5
	IRL	2.3	3.4	1.1	4.5	6.7	2.2	6.8	10.1	3.3
	UK	3.6	4.7	1.1	6.4	7.9	1.5	10.0	12.6	2.6
	Av	**3.3**	**3.9**	**0.6**	**6.4**	**7.9**	**1.5**	**9.7**	**11.8**	**2.1**
MEAN		**3.4**	**4.0**	**0.6**	**6.9**	**8.0**	**1.2**	**10.3**	**12.0**	**1.7**

Source: Tepe (2009), data by Eurostat, adjusted, own computations.

In the period 1995-2005, public administration employment as well as health and social service employment share in total employment grew by more than 15% (from 10.3 to 12 percentage points) in European countries. Furthermore, there seems to be a convergence trend, although the differences between countries remain large: for example, stronger employment growth was evidenced in Spain, Portugal, Greece, Ireland, while Sweden reversed its trend of employment in social services, which was already high.

The Commission (EC, 2011, p. 9) has shown growth in employment in social services in the past ten years. Employment in social services grew faster in the EU27 than in other sectors of the economy: between 2000 and 2009 total employment grew by 7.9% (15.5 million new jobs), while social services grew from 8.7% of total employment to 10% (4.2 million new jobs). However, there were differences between countries. For example, the biggest growth was registered in Ireland, the Netherlands, France, Luxembourg, the UK and Finland, while the proportion of the workforce in this sector decreased in Sweden, Poland, Bulgaria, Slovakia, Latvia and Lithuania.

It is therefore possible to distinguish three groups of countries. The first group includes Scandinavian countries, the Netherlands, Belgium and the United Kingdom, where the health and social services sector employs 13-18% of workforce and where employment grew faster over the past decade (with the exception of Sweden). The second group includes France, Germany, Luxembourg, Ireland and Austria, where the share of employment in the health and social services ranges between 9.7% (Austria) and 12.8% (France), and grew faster than in the EU on average. These member states are narrowing the gap with those in the first group, especially Ireland (4 percentage points growth up to 12%) and France (2.8 percentage growth up to 12.8%). Finally, in the third group (remaining countries), the share of employment ranges from 4.4% in Romania to 7.7% in Malta; the growth was much lower than in the EU27 on average (with the exception of Spain), or even negative (in Poland, Slovakia, Latvia and Lithuania). The ageing of the European population is considered to be a key driver of the growing demand for health and social services: in the EU27, between 2008 and 2060 the population aged 65+ is projected to increase from 85 to 152 million (by 79%) while the population 80+ is projected to increase from 22 to 61 million (by 181%).

During the recent economic crisis, social service sector employment was stable. The fall of employment levels from the second quarter of 2008 to the second quarter of 2010 resulted from a broad contraction across almost all sectors. Job losses were strongest in industry (4.8 million, i.e. 8.9%) compared to 0.6 million (i.e. 4.7%) in agriculture and only 0.6 million (0.1%) in services. The public administration sector, education and health/social services was the only sector which maintained positive growth of employment during these two years (by more than 2%) (compare EC 2011: 30). Nevertheless, concerns are rising about future losses of jobs in social services as many member states face public spending cutbacks in order to reduce government deficits (ibid.).

At the same time, in a long-term perspective, the European Commission (EC, 2011) recognises the structural challenges for employment in the health and social services sector: the workforce is dominated by women (78% of employment in the sector), there is a greater difference in earnings between men and women in the social services sector than in the total economy, while wage levels are below those in the economy as a whole (although workers in health and social services often have a medium or high level of education: 40% compared to 27% in the overall economy). The workforce in the sector of social services is ageing rapidly. Recruitment and retention are hampered by demanding working conditions as well as by lower and slowly growing wages. Between 2000 and 2009 the share of people above 50 years working in this sector increased from 20% to 28% and the share of younger age groups decreased. These circumstances may increase the potential for new jobs for the young when the elderly retire. Furthermore, demand for services is growing due to the fact that responsibilities for long-term care and child care are in many countries in the hands of the state; however, fiscal constraints might reduce the impact.

3.2 The factors explaining the recent development of employment in social services and the public sector re-examined

The development of employment in social services is associated with the dynamics of public welfare and social services development. This dynamic is associated with the general direction of the development of the national welfare state and national fiscal policies. On the other hand, the driving forces behind the dynamics of the welfare state have different implications for the area of social services when compared with other policy fields (namely with social transfers).

Several studies have shown that the emerging new social risks have implications for the development of the welfare state, also implying challenges for several fields of social services. The range of factors has supported expansion in the social services during the last three decades. Jensen (2009) refers to studies by Allan & Scruggs (2004), Korpi & Palme (2003) and OECD (2005), which found that transfer programmes have seen retrenchment, while welfare services have experienced overall increase. Several elements explain this development within the welfare states:

i) Ideological factors (in line with power resources theory): in some countries (Nordic), well-developed policies in social services during the 'golden age' may persist long after the factors that caused them have been exhausted. Furthermore, left-wing parties have continued to matter after the Golden Age.
ii) Institutional factors i): new institutionalism (Pierson, 1994) shows that vested interests matter: service providers tend to form coalitions with service consumers. Since services are labour-intensive the professional interests are likely to play a role.
iii) Institutional factors ii): due to financial pressures, left-wing parties may often be better suited to implement retrenchment measures since they are more credible to the electorate than right-wing parties fiercely opposed by the public. This is an argument which can lead to slowed-down development of social services.
iv) Institutional factors iii): increasing public interest combined with increasing technical complexity has made provision necessary for political reasons in health care, independently of the ideological/welfare regime constellation.
v) Institutional factors iv): veto points are independent of the welfare state (contrary to vested interests) and we may therefore expect that expansion of social services will be greatest in those countries with fewer veto points.
vi) Neo-functionalism: deindustrialisation plays a role. Firstly, from the 1990s human capital formation is more central than before, related to de-industrialisation and rapid growth of high-skill service sectors (this implies social demand for education, active labour market policies, child care). Secondly, globalisation can have ambiguous impacts: according to Clayton and Pontusson (1998) in Jensen (2009), impacts of globalisation may lead workers in exposed sectors to form coalitions with employers in order to protect a transfer component. On the other hand, Rodrik (1998) in Jensen (2009) posits that globalisation leads to an increase in welfare services because of the public's demand (due to fears of the novel economic

changes). Finally, the changing role of women as regular labour force and demands of reconciliation of work and family have made the political system more responsive to women's needs: this increases attention paid to policies of social care.

Jensen (2008) showed that technical complexity was relevant for the development of health services during 1980-2001, while increasing female participation matters as well. Care services are driven by changing employment structure, unemployment and increasing political awareness that this type of intervention may alleviate new social risks. Finally, a new factor has been identified: the user profile plays a role as well. In education and healthcare, unlike in social transfer programmes, high and middle-income individuals are likely to be among the users and these services are thereby likely to gain more electoral support. This is in line with the hypothesis that the welfare state will also have to 'bribe' the middle class.

In a broader perspective, Jensen (2011b) concludes that while the development of the social transfer schemes was based on the process of de-commodification, social services develop with the process of de-familialisation. This process first gained strength in the social democratic welfare regime in Nordic countries (see also Esping-Andersen, 1999).

3.3 The emerging problem of employment in public/social services revisited

The literature on employment in social services and driving factors is not very abundant; nevertheless, it provides interesting findings which can orient our research.

The review of the literature and data available indicated that although the factors which will influence development in social services in the future would probably lead to the expansion in social services, it is, however, not clear how this expansion would affect employment in social services due to fiscal constraints. Secondly, the private purchase of services may make demand for services more volatile, especially if the opportunity cost of other goods and services is high (especially in less affluent countries and less affluent social groups).

At the same time, post-crisis cuts in public budgets will affect public expenditure on social services negatively (to a limited extent since other factors like 'demand' factors and political considerations matter). The processes of marketisation and public-private mix are apparent in all sectors of social services. This, however, does not imply their limited role, or the decreased responsibility of the state. Demand factors may imply a willingness on the part of the public to invest private resources into social services they may need to a greater extent. Nevertheless, this inclination will depend on consumer preferences, consumer capacity to purchase the services and on the emerging 'consumption patterns'.

The 'social dualisation problem' (e.g. that for some access to services will be easier and more affordable than for others) may be envisaged in several respects:

- dualisation of the access to social services and dualisation of the quality of services with respect to different social classes/groups
- dualisation of the employment creation potential in social services with respect to different social classes/groups
- dualisation in employment profile and job quality of social services with respect to different social services addressed to different classes/groups

This problem has not been examined closely until now. The problem of the dualisation concerning employment creation potential and employment profile/quality in social services of various type has been especially under-researched.

4. The changing governance of the welfare state and social services

4.1 Reasons for having a welfare state in social services

There are several theoretical issues for welfare state involvement in social services. They are often related to those elements seen as aspects of market failure. This is the classical argument for public sector involvement, including risk of monopoly, lack of supply of needed services and negative externalities arising from private production (Stiglitz, 1986). The reasons for public sector intervention will be presented here. The central aspects have revolved around four arguments for not only relying on market: externalities, information asymmetries, agency problems, distributional concerns, but also arguments related to natural monopolies, public goods and services (Cichon et. al., 2004; Greve, 2002). This can therefore also be related to the ability to tax public 'bads' (Albrecht, 2006); welfare states have several instruments available to remedy negative externalities. How closely to embrace and understand the notion of public good can be discussed, but even the OECD has argued that investment in children and early childhood can be understood as a public good strategy (Jenson, 2010).

Whether services should be delivered by private or public agencies has been discussed and analysed for many years. History has had many examples of privately acting public elements – from "Mathew the private tax collector from the Bible" (Hodge & Greve, 2007, p. 545) to street lighting and private railways. Thus public-private partnership has been established in order to involve private organisations in the delivery of public services over a long time span.

Issues related to the need for public sector intervention and market failure were already being further discussed by Adam Smith, who recognised this need, especially in areas such as public institutions, certain public works and also the military, police and justice system, given that there presumably could not be a private market for this kind of delivery. The theoretical debate at that time and still today has therefore been how to find the borderline between the public and private sectors; also given that the market left to itself does not necessarily end in a state of equilibrium. This can be due to monopolies, implying higher prices than that of a perfect competitive market, a high level of unemployment and thereby no balance between the demand and supply of labour. These imbalances can be corrected by the state. To what degree and how the public sector should correct this depends on whether or not government failures exist and how to measure them.

The lack of information or the price of obtaining information can also be a reason for public sector intervention, which has been argued for a long time (cf. for example, Weisbrod, 1988). Lack of information or difficulties in finding information on the quality and price of services is thereby a recent reason for public sector intervention. This further has the implication in the area of social services, especially given that many vulnerable people are using this type of service, which without at least some public regulation they might not be able to access the necessary service at a quality and/or price they can afford. Information asymmetries might have even increased in recent years given that more and different kinds of support exist, especially in health care. This further relates to the next issue - equality.

A core issue in welfare states and their core values has been that there should also be equality in access to services, and, in several areas without public sector intervention, many persons in the population would not be able to gain access to different types of welfare service, also explaining why many countries by now in fact have, or are close to having, a universal type of health care.[30] The degree of equality to strive for, however, is contested and different welfare regimes have different degrees of equality. The degree of equality can thus only be used as one argument for public sector intervention without being very precise about the level. It has long been recognised that "the failure of the market to insure against uncertainties has created many social institutions in which the usual assumptions of the market are to some extent contradicted" (Arrow, 1963 here from Barr, 2010, p. 367).

Specifically, there is a problem with private insurance regarding care for the elderly. This relates to information problems regarding risk: that there is a risk, but not a certainty of a need of support. This risk exists on both the supply and demand sides of the equation. Moral hazard (insured person influencing the probability of need) as well as adverse selection can exist when a buyer can hide that he/she is a bad risk (Barr, 2010). Furthermore, problems arise when the individual does not know whether or not he/she will be in need of service, and whether to take out an insurance policy; saving for that purpose would not be societally optimal, as done by individuals, as this would either incur too much or too few savings for care purposes. There is thus a strong case for relying mainly on public finance. "These conclusions are technical rather than ideological" (Barr, 2010, p. 371); Barr also argues that an ex-ante insurance with a topping-up system is preferable. This is because such a system also gives the possibility of some choice for the individual. This argument of risk, besides those of equity in access, not only relates to care for the elderly, but is also a core reason for most welfare states having universal health care systems, and therefore also the need for systems to finance the social services available.

Historically, the male breadwinner model was part of the post-war settlement assuming regular and full male employment and stable families (Lewis, 2006). With the change in this family model and women entering the labour market, care services for families changed in such a way that the public sector has needed to provide services, especially for children; increasing care for the elderly has also been taken over by the welfare state. Seen in this light, welfare state spending – and thus the need for income – can be understood as an investment ensuring a sufficient amount of labour in the workforce.

Although there is a logical rationality for public sector provision or steering, this does not provide information on the choice of system or how to combine market elements with public sector involvement. Neither does it tell us whether public sector delivery, public sector financing, or public sector regulation are the best instruments for achieving the various goals. This implies that there is a need to compare and discuss various approaches to both the financing and delivery of social services.

[30] For a discussion on health care in a number of countries, cf. *Social Policy & Administration*, Vol. 44, No. 4.

There are various ways in which different welfare states split public and private delivery; the issue of welfare typology to a large extent builds upon this trichotomy between state, market and civil society and between the original understanding of public, fiscal and occupational welfare (Titmuss, 1987). These elements will not be repeated here (cf. instead Greve, 2007); however, they need to be taken into consideration when comparing (cf. Section 5) and they also need to be carefully examined when choosing between varieties of approaches.

Further problems related to the mix of public and private delivery are the classical issues related to transaction cost and the relation between the principal and the agent. These issues will not be explored further here.

4.2 Governance reforms in the welfare state and social services

The current research on the provision of social services often emphasises that within the process of globalisation, population ageing and individualisation accompanied by welfare state retrenchment, recommodification and recalibration (Pierson, 2005), the boundaries between public and private provision of social services are blurring (e.g. Seeleib-Kaiser, 2008; Wollman & Marcou, 2010) with respect to both the financing of the services and their delivery, shifting the overall constellation 'from welfare states to welfare systems' (Seeleib-Kaiser, 2008). Nevertheless, social services have always been financed from various sources (direct public provision or subsidies, the non-governmental sector, user fees, private sponsorship and charity) and delivered by public as well as private for-profit and non-profit agencies. Although the processes of recommodification/marketisation are increasing, the "public service obligation" (Wollman & Marcou, 2010, p. 2) is still central to the provision of social services and clearly expressed in the EC Communication on Social Services in General Interest, which are not subject to competition laws: the obligation is for public authorities to establish, organise and fund such public/social services.

This means that public services are not identical to state services directly provided by the state: the role of the public authority (either central, local or transnational) might be more central in the dimension of regulation than in the dimensions of financing and delivery/provision: although the role of the public sector in financing and service delivery may decrease, the regulation role of public authorities may increase. Finally, the increase of the engagement of non-state actors may be accompanied by an increase in the engagement of public authorities in spite of the 'neoliberal attack' on the welfare state', as Wollman and Macrou (2010) claim. These assumptions will be analysed in the final report.

The current governance reforms of the welfare states, albeit with a different emphasis and variations between countries, include several aspects: (van Berkel, de Graaf & Sirovátka, 2011):

- **decentralisation**: political (authority is given to lower levels) or administrative (delivery responsibilities are only shifted to lower levels of government, often accompanied by tendencies to re-centralise in order to gain control)
- **marketisation**: sub-contracting and competition in service provision are accompanied by splitting the roles of service purchaser and service provider

- **new public management**: private sector management models and techniques can be applied in the public sector (the role of objectives, performance indicators, incentives and control/monitoring mechanisms is increasing), associated with a commitment to pluralistic models of public service provision through a mixture of business, the non-profit sector and government actors, emphasising the importance of cost, choice and quality in the precise mix of service providers. There is a revised role for government in the provision of public services, characterised as 'steering not rowing'; separation of the political decision-making processes from the management of public services, cooperation and public-private partnership: partnerships involve more far-reaching forms of cooperation and coordination than inter-agency cooperation, in the sense that they include a large range of public and private actors in service provision. Agencies can bring their front offices together under one roof, or establish a new agency in which their front office activities are shared and direct client contacts take place (one stop agencies). The recent development of the governance of the welfare state is in theory connected with changing role of the state/public sector, especially with shifting state responsibility for defining, providing, financing and controlling of public services. In many countries the late development is connected to neo-liberal thinking, New Public Management (NPM) reforms aimed at more economic effectiveness in the public sector and EU legislative steps to market deregulation (Tepe, 2009; Brandt & Schulten, 2007; Wolman & Marcou, 2010a, b; Kuhlmann & Fedele, 2010; Grossi, Marcou & Reichard, 2010). A different governance frame is expected in federal and unitary states; in federal states more growth of employment at the local level is expected (Nelson, 2008; Peters, 2008). Nevertheless, the common features of these reforms may be characterised as follows:

Decentralisation, deconcentration and devolution

In most countries some form of governmental decentralisation has occurred. Also the role of the European Union was influential for decentralisation (see Peters, 2008). In theory, decentralisation should lead to a reduction of employment at the central level and growth at the regional and local level. The reduction of employment at the central level is in many cases smaller (if any) than growth at the regional and local levels leading to overall growth in employment (Alba & Navarro, 2008; Rouban, 2008; Andersen, Christensen & Pallesen, 2008; Martínez-Vázquez & Yao, 2009). Before the continuation of decentralisation, the number of public sector employees at the local level could be very small, resulting in a large percentage growth of employment; this implies that in the first phase of decentralisation the absolute numbers are important to look at. As a result of decentralisation, central government constitutes in most countries less than 20% of government employment (Nelson, 2008).[31] Local level government employment in social services is highest in countries where locally served services were not contracted out (Pierre, 2008b) and so they remain in the public sector statistics.

[31] Data about central, regional and local levels of government employment are published for many countries, but they are beyond the scope of this report. As usual there are some country-specific problems which reduce the comparability of the data (e.g. in France all teachers are counted as central government). We should also note that the logic of levels of employment is functional, with many central government employees working outside the centre (e.g. when providing a control function) (Nelson, 2008).

Decentralisation is also important for budgeting (the public sector wage financing).[32] There is always some risk that regionally beneficial strategies are disadvantageous at the central level and risk region competition (Peters, 2008; Bönker, Hill & Marzanati, 2010). There are some inter-country regional variances in public employment levels in social services, which are due to variances in population density, levels of regional government sovereignty and various political strategies (Peters, 2008). In some countries (e.g. Spain – see Alba & Navarro, 2008) decentralisation can lead to different work status and working conditions of people in similar professions depending on the region.

Privatisation, corporatisation and contracting-out

Many previously state owned services were privatised in EU countries in the second half of the 20th century (typically telecommunications, post and railway services, but also social services). The privatisation and corporatisation was implemented in European countries mainly in the 1980s and 1990s (see Nelson, 2008). For definitions of various forms of privatisation see Citroni (2010). Unbundling, outsourcing and subcontracting to private firms can be seen as similar alternative strategies. Privatisation is sometimes interpreted as a return to the core state function, abandoning functions where state ownership was not seen as necessary (Pierre, 2008a). Others see reasons for privatisation in the inability of public bodies to bear financial burdens of service as well as the strategy of blame avoidance (e.g. Citroni, 2010). A decrease in direct public sector employment in public services due to privatisation can be expected, especially if we understand public services of all types as services provided by state/public owned enterprises (for a legal definition, see e.g. Brandt & Schulten 2007). In some cases this reduction in employment is at least partially compensated by the growth of employment in the private sector (e.g. when a part of services is outsourced). Lately, there have been some examples of the fact that some services are again being transferred from private to public services – remunicipalisation (Kuhlmann & Fedele, 2010; Dreyfus et al., 2010; Wollman et al., 2010).

Downsizing (retrenchment) as a political strategy

Downsizing is understood as a reduction of employment within existing public and social services. It is not always possible to distinguish downsizing from the above-mentioned strategies.[33] Public sector downsizing can be seen as a result of neo-liberal ideological orthodoxy and similar ideas (e.g. Baumol disease). Another explanation of downsizing lies in the fiscal pressure and containment of costs (Brandt & Schulten, 2007; Derlien & Peters, 2008). Tepe (2009) also sees the source of government employment downsizing tendencies in the relatively high share of public sector employment costs in public budgets. There is probably another strategy based on freezing the wages and employment levels in the public sector that goes hand in hand with management reform (Rothenbacher, 2004). It can be accompanied by "closed doors" and "natural decline/wastage" tendencies (Brandt & Schulten, 2007).

[32] Not only shifting competencies and responsibilities, but also changing demands for services are important.

[33] E.g. a part of downsizing occurs prior to privatisation and a part after privatisation.

The development of the public sector in the second half of the 20th century is about reduction in some part of the public sector (military forces employment, infrastructure and maintenance) and growth of other parts of the public sector in social services, typically education, health and other social services (Derlien, 2008b). Analysis by Tepe (2009) shows that between 1995 and 2005 the core public sector employment remained relatively stable. The growth and decline of the public sector might be connected to changes in specific issues, such as demographic changes (e.g. need of healthcare for the elderly). The above-mentioned changes in provision of public services (privatisation, decentralisation) in the 1990s might be the result of an ideological shift from socialist to neo-liberal ideology (see e.g. Peters, 2008). The question is whether the changes in the public sector are also connected to the shifts in states' responsibility for regulation and financing.

Country convergence and rules for establishing the free market

European Union legislation is important for the development of public services (in the functional definition). There are several EU directives regulating conditions in sectors where the public sector has been an important component. EU member states are to remove all barriers to the market, including those in the public service and remove all exclusive right in the public sector (Needham & Murray, 2005; Wollman & Marcou, 2010a; Wollman et al., 2010). As a result governments have to solve the trade-off between promoting competition and political responsibility to guarantee service (ibid.).

Clearly, the above trends tend to diminish the role of the public sector in the provision/delivery of social services and their financing – this outcome is well compatible with the prime reasons for the reforms - fiscal reasons (Derlien and Peters, 2008). Nevertheless, according to Wollman & Marcou (2010, p. 257) "interventions ... to combat the global economic crisis signals [sic] a conspicuous comeback of government and public sector."

From the above reasons, development can be described as welfare state restructuring rather than retrenchment: in several fields of social services the increasing role of the market seems to be complementary to the increasing role of public authorities, although this responsibility is shifting from direct provision/service delivery towards regulation and also remains high in financing (e.g. Dingeldey, 2009).

For example, while the former policies during the Golden Age emphasised de-familisation of care (Esping-Andersen 1999), the new policies based on the division between funding and provision of care have given rise to marketisation/commodification of care as well as to re-familisation by providing care allowances to families. The regulatory role of the state in forming these arrangements is, however, increasing (ibid.). The new policies turn up the philosophy behind the policies, since they consider formal and informal care as compatible and imply the convergence of the two models: the informal care-led model and the (formal) services-led model towards the mixed and integrated model. They are leading to a decentralisation of government responsibilities at the local level and into the development of programmes to treat the elderly in their homes.

Simonazzi (2008) explains that financial payments to carers may be effectively supplemented by other measures:

Scheme 4.1 Public support for informal elderly care in the EU

Measures	Countries
Monetary transfers (financial aid)	Austria, Denmark, Finland, France, Germany, Ireland, Italy, Portugal, Spain, Sweden, Norway, Hungary, Switzerland, Poland
Tax relief (to carers)	Spain, France, Germany, Greece
Qualifying for social contributions	Austria, Denmark, Finland, Luxembourg, Germany, Switzerland
Respite care	Finland, Germany, Italy, Luxembourg, Sweden, Switzerland
Training for the caregiver (or the privately hired minder)	Belgium, Germany, Italy
Compulsory insurance	Germany
Rights to work leave	Austria, Denmark, Finland, France, Germany, Netherlands, Spain, Sweden

Source: Simonazzi (2008) based on OECD (2005), EC (2007) and national reports.

In spite of the above forms of support, there is a problem of sufficient supply of care - according to Simonazzi (ibid., p. 8), tight budget constraints and/or competition from cheap alternatives, like immigrant carers in some countries are driving private companies out of the care market (especially out of activities that are more intensive in health tasks, such as nursing homes). Consequently, there is an obvious trend of the diminished role of public carers (see Table 4.1).

Table 4.1 Types of firms in the elderly care market (% of total) 2003-2006 in Germany and the UK

	Public	Non-profit	For-profit	Total
Germany				
Home care	2	43	55	100
Nursing homes	7	55	37	100
UK				
Home care	n.a.	n.a.	72	100
Nursing homes	7	17	71	100

Source: Simonazzi (2008) based on national reports, for UK 5% to 100% missing data.

According to Table 4.1, two groups of countries can be distinguished concerning the financing of care:

- countries that rely mostly on in-kind provision, either directly or via subcontracting-out (Sweden, the UK), or with a greater reliance on conditional cash allowances paid to hire the external regular carer (as in the French system) either in the case of special circumstances like age or invalidity, or based on income/means-testing

- countries that rely mostly on unconditional allowances paid to the family carer (e.g. care insurance in Austria or Germany).

Concerning employment patterns in the care market, different labour markets co-exist within the sector: skilled workers as registered nurses, unlicensed low-skilled assistants and other workers providing personal care and domestic workers. However, there are wide cross-country differences in the EU in the levels of education, training, pay and credentialing in the formal care market: such levels are low in the Mediterranean countries, the UK and France; reasonably high for skilled and semi-skilled workers in Germany and Austria; and the highest in Scandinavian countries.

Finally, the role of formal/informal care and the role of immigrant work point to different employment models in different care regimes. Higher levels of education, training and pay are supportive to the increasing role of the formal market and the diminished role of immigrant work. Nevertheless, current trends are apparent in several countries: more reliance on immigrant work as well as more reliance on informal care (family carers or other) (see Scheme 4.2).

Scheme 4.2 Care regimes and employment models

Employment models	**Care regimes**			
		Formal market	**Mixed**	**Informal market**
	Native	Sweden, France	Germany	
	Mixed	UK	Austria	
	Immigrant	*UK, Germany*		*Germany, Austria* Mediterranian countries

Source: Simonazzi, based on national reports, letters in italics signal the trend in terms of the changing position of the country.

The above trends have not been completely explained in literature. The existing explanations refer to the pressures on public finance and migration, or to social innovation (see section on social innovation).

4.3 Illustration of governance reforms in specific fields of social services in four countries

The preliminary observations of the trends in some specific fields of social services in the countries which will be the subject of the qualitative analysis (Czech Republic, Denmark, Germany and the UK) seem to confirm the above general assumptions.

The studies on the development of social services by Seeleib-Kaiser (2008), Wollman and Marcou (2010) document some similarities across countries, although the welfare regimes still bear their specific traits. The trend towards marketisation has been apparent in social services since the 1980s and 1990s, accompanied by a tendency of centralisation. This is because in caring services (both child care and elderly care) the provision of these services has become too central and important to be left to the competence of local authorities, or to be associated with the risks of uneven provision. Similarly, prospects of employment growth and job creation, especially for low-skilled labour, have become directed mainly towards the caring service sector in all countries (Wollman & Marcou, 2010, p. 97).

During communism in the Czech Republic, social services, including services for the elderly, were heavily institutionalised and provided low quality care. Therefore the long-term strategy of the new government was to develop the services provided in the home environment instead of institutional care, to provide room and conditions for private and third sector providers, and to set the standards of the social services. Nevertheless, government expenditure on care social services stagnated. Since 1989 we observe a trend towards marketisation, mainly through creating quasi-markets and the pluralisation of actors, which is a long-term trend; however, it has intensified with the accession to the EU, by coincidence in times when the EU Directive on services in general economic interest was adopted.

The Act on social services from 2006 changed the financing of social services (mainly in the field of care for the elderly) – the *care allowance* is provided to the potential users based on an assessment of the degree of their disability: the recipients are free to purchase a service from public bodies, NGOs, or private providers. The standards on the quality of social services recommended by the Ministry of Labour and Social Affairs in 2002 have become obligatory through the Act on Social Services from 2006. This process is complemented by a training system, a scheme of licencing the providers and also by controlling mechanisms. Moreover, the new Act on Social Services no. 108/2006 Coll. has obliged the regional self-governments to elaborate the Regional Community Plans on Social Services, which should make the services more available. In the field of care for the elderly, the development was inspired by ideas of 'consumerism' (taken over from the UK). The results of this shift to the quasi-market are not satisfactory at present, since demand for institutional care is still unsatisfied while the expenditure in total (institutional and non-institutional care) is increasing.

In childcare, post-communist policy-makers inherited an extended network of kindergartens and nursery schools. They have respected the widespread popularity of kindergartens, but decided in the early 1990s to close down most of the nursery schools; instead, paid parental leave (a low flat rate benefit) was extended until a child's 4^{th} year.

Currently, in the field of child care, a rather passive approach of the state can be observed and for this reason private providers have come into the field; however, this has been slow due to the high costs of caring for people. The capacity of kindergartens has also become a problem in recent years, since municipalities responsible for their performance cancelled several of them when the fertility rate dropped. According to a survey on kindergartens in the 2007-08 school year, about 38% of kindergartens have had to refuse children; on average they refused nearly 30% of the applications (Kuchařová et al., 2009). In response to the insufficient availability of caring facilities for children (mainly for children under 3 years of age), the Czech government in 2007 discussed proposals to support alternative forms of care like baby-sitting, mini-kindergartens, neighbourhood assistance, nurseries and kindergartens established by employers or other subjects like NGOs; by 2011 it has remained at the level of a discussion.

In the field of employment services, marketisation/contracting out and fast developments in agency work represent the key trends. The organisational structure of Public Employment Services was established in 1991 and persisted without any important changes until recently: the two-tier Public Employment Service model included the section of PES at the Ministry of Labour and Social Affairs – Employment Services Administration (ESA) and 77 employment offices (EO) in districts. The activity of private employment agencies has been allowed since the early nineties; furthermore, employment offices have always contracted out retraining programmes to educational institutions, including private ones. The quantitative growth of their activities continued as a result of ESF projects, enabling employment offices to subcontract a range of various activities, such as job mediation, individual diagnostics, counselling, vocational training, job placement of vulnerable groups of the unemployed and individual assistance. The range and scope of outsourced activities has increased dramatically with the accession to the EU: in fact, activities of the ESF projects are either in the hands of actors other than PES (in the role of the coordinators of the projects), or outsourced to them (in the role of service providers). Management rules of the ESF projects led to the massive outsourcing/marketisation of the whole package of active labour market policies.

In Denmark (compare Andersen, 2008), where the provision of social services was traditionally the responsibility of the communities (with strong state support), the renewed expansion of services has been observed: during 1992-2007 public expenditure increased by 35% (Andersen, 2008) and a new service mix has emerged with increased state/collective responsibility in regulation, combined with new modes of governance in financing and delivery/provision. Since the 1990s, tools like contracts and user fees have been expanding in social services[34] as well as vouchers with great emphasis on increased choice (and information) for users. In this respect, the role of voluntary organisations, the social responsibility of firms and mainly public control (often through elected user boards) has become important.

In active labour market policies, for example, the Individual Action Plans for all unemployed were implemented, based on the principle of tailored service. During 2004-2006 with the New Public Management reform, the tendencies towards private provision increased. This affected programmes such as those of the integrated packages of ALMPs from 2002 and 2005.

Employment Service AMS (subordinated to the Ministry of Employment) provides job placement service and labour market programmes. Vocational training programmes take place mainly in regional training centres (AMU system) which are public; however, they are a product of cooperation between organisations of social partners and public authorities (Dingeldey, 2009). Since 2001 the social partners established a labour market training funding council (AUF) responsible for funding adult training aimed to meet employers' requirements.

With the introduction of activation measures in the 1990s, regulation was decentralised while the influence of social partners increased. Competencies were devolved to the

[34] Payment for day-care in Denmark was implemented at the beginning of the 90s; in elderly care it was combined with higher pensions and subsequently payments for living in a home for the elderly.

regional labour market councils, including decisions on contracting-out and the design and scope of tendering rounds. The first tendering round took place in 2003 and led to the conclusion of 57% of contracts being with private enterprises, 25% with trade unions and 18% with public institutions. Thus, in 2004 about 30% of the unemployed were referred to 'other actors' (legal obligation is 10% at least).

The 'Structural Reform' of 2007 brought major changes to the Danish public sector. The number of municipalities was reduced from 271 to 98. The 14 counties were merged to 5 regions newly endowed with responsibility for health care. The 14 labour market regions were reduced to 4, each still with a tripartite council (Madsen, 2011). In 2007 two systems of activation measures for the insured and uninsured unemployed were integrated into one system of local 'job centres', one in each municipality (e.g. a decentralisation of the responsibility although with central rules). This integration was fully implemented when the state-run employment service was formally closed in August 2009 (Madsen, 2011). Public-private partnership was strengthened: the nationwide programme of employer-embedded projects was set up for weak groups ('business centres') where mentoring, training, job experience are provided in real workplace situations.

To sum up, the trend towards decentralisation and re-centralisation was apparent in the marketisation and increased public regulation with elements of new public management. A new system is emerging which is less expensive, aims to give more autonomy and responsibility to the citizens and greater flexibility for service provision.

In Germany (compare Wollmann & Marcou, 2010), social services were traditionally the responsibility of local governments with a specifically important role for non-governmental organisations. Since the 1990s most municipalities implemented the New Steering Model, with one-stop agencies. In the early 1990s, more emphasis was put on child care: from 1995 parents were provided with entitlement to childcare for children of the age of 3-6 (but implementation was delayed until 1999), since there was an inter-party consensus about the need for supporting the development of childcare services. Voluntary organisations took over the key role. For children aged 0-3, private child-minders were supported with tax credits and deductions. Over time, the commercial sector prevailed over the public sector in the scope of provided care.

Elderly care was traditionally also provided by local authorities in cooperation with third sector organisations. In the 1990s a new social insurance benefit scheme was implemented that was aimed to cover the costs of elderly care. New long-term care insurance funds were established, which are responsible for licencing the providers. Further, they have established agreements with the providers in tenders open to commercial actors. Consequently, NGOs have lost a great part of the market and local influence: in 2005 commercial providers covered 58% of all the services in elderly care. Germany set up a new regulatory framework for these services by laying down a rigid price system and creating standard service packages for purchase.

The governance of employment policies has been reformed in several waves since 2002 under the Harz Commission on 'Modern Services on the Labour Market'. Job centres such as 'one-stop shop' were supposed to end the division between federal employment services (FES) and the municipalities: the former responsible for labour market policies and the latter for social assistance and social services, as well as for improving coordination and inter-agency cooperation. While during the 1990s decentralisation was started and local employment agencies were able to decide on the allocation of their funds to various programmes financed by 'global reintegration budget' for active measures, since 2005 the centralisation of the purchase of labour market measures has been introduced to five Regional Purchasing Centres (Dingeldey, 2011). Along with this, increased control was introduced on the quality of suppliers as well as on outcome. Furthermore, since 2004 national priorities have been imposed through the planning of targets for the management by objectives system. Hierarchically organised employment offices have been reorganised into service centres which are based on case management with the goal of reducing caseload through the use of profiling. Traditionally, delivery of labour market programmes was always conducted by third parties (mostly by non-profit organisations). Marketisation – contracting out of placement services has increased and competition has been enforced by vouchers for placement services and training. The suppliers need certification and contracts are financed depending on placement results. To sum up, the prevailing trend in the past years has been the implementation of the elements of new public management combined with tendencies to centralisation: this may be interpreted as the neo-Weberian model that Dingeldey (2011) refers to in regards to the continuity of procedural governance.

In the UK (compare Wollmann and Marcou, 2010) with the Thatcher government in the 1980s developed private childminding. In 1990s the vouchers were implemented in order to enable parents to choose between public and private nurseries. In 1997, with Labour Government the role of the public sector in child care increased; nevertheless, both public and private providers were supported with a fixed sum. For children aged 0-3 years, access to licenced services was supported during the 1990s: private providers prevailed while public nurseries covered only a small part of the sector. In 1997 the New Labour government implemented the Supporting Families Act, which continued in this trend while increasing the role of state in regulating and financing social services. According to legislation, long-term care for the elderly was enacted before 1980 and provided within the social security/social assistance scheme (this is means-tested). During the 1980s the scheme was changed into a universal scheme and the reforms aimed to split the role of service purchaser and provider. This step strengthened the role of the commercial sector in service provision. In 1990 the National Health Service (NHS) and Community Care Act separated the purchase and provision function within the NHS. In 1996 the Direct Payment Act in community care provided cash to service users to strengthen their choice and role as consumers. The local agencies have developed purchasing functions (commissioning) and have dedicated substantial funds to these new activities (Pavolini & Ranzi, 2008). After 1997, the Blair government continued in the established marketised governance of social services, but public responsibility increased in the form of stricter state control of service standards and the number of services has increased.

Under the Thatcher government, the newly constituted employment service was made directly responsible to the government in the form of the Ministry of Education and Employment and was managed through targets (Dingeldey, 2009). The shift of competences to Employment Service combined with incentive management represented the decentralisation tendency as an alternative to state bureaucracy, as did the implementation of quasi-markets and contracting out (Wright, 2011). The provision of labour market services was privatised with widespread participation of profit-making organisations. The implementation of labour market training programmes was delegated to employer-dominated bodies: Training and Enterprise Councils (TECs) at the local level. TECs used to contract-out the programmes to private providers and managed them through output-related contracts (Dingeldey, 2009).

Under New Labour (since 1997) an extensive programme of welfare reform was justified primarily on the grounds of cost-saving in an effort to promote work as the best incentive for moving people from welfare to work accompanied by the effort to 'make work possible' through plans like the National Childcare Strategy and the Child Tax Credit (Wright, 2011). Some regulatory responsibilities were returned to the public sector. TECs were replaced with Learning and Skills Councils (LCSs), which are more responsible and rooted in the public sector. Re-centralisation occurred as horizontal re-centralisation through the organisational merger of the Benefits Agency and Jobcentres to become a one-stop shop Jobcentre plus and through control measures for managing the work of front-line advisors via standardised priorities and procedures (for specifications of the 'Flexible New Deal' see Wright, 2011). Nevertheless, the high level of marketisation in the provision of services has actually increased further. Since 2007 (after Freud's report), a new wave of market-based reforms emerged with the development of large quasi-markets, which have become dominated by a small number of prime contractors. To sum up, the process of increasing marketisation has been accompanied with the increasing use of the principles of 'corporate governance' and the re-centralisation of regulation by public bodies.

To summarise, in the fields of social services considered in this section (i.e. elderly care, child care and employment services), the general trend observed in all of the compared countries was marketisation with increasing decentralisation, some recentralisation and state responsibility in the form of service regulator and financer; furthermore, there was a development of a public-private mix in service provision, with an increase in public involvement in care for children and the elderly. The implication is that social services have expanded and are a highly central issue in all welfare states.

4.4 Social innovation in social services

As we have seen, there are shifts in governance structures and procedures across social service fields and countries, and with many variations. However, a distinction between shifts in governance and social innovation is needed in order to assess the changes.

The need for social innovation has been recognised with pressing social problems mostly associated with new social risks and the ageing of society (see the previous section). This need contrasts with the declining financial capacity for public budgets to provide traditional solutions in a larger scope/extent (especially in the context of the recent economic crisis) and with problems of effectiveness in meeting specific local or individual needs.

Hubert et al. (2010, p. 7 and 21) explains that social innovations are "new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving social well-being". More specifically these are:

- innovations that are social both in their ends and their means (like new ideas – products, services and models)
- that simultaneously meet social needs (more effectively than alternatives)
- and create new social relationships or collaborations
- that are not only good for society but also enhance society's capacity to act.

The definition by Phills (2008) is a good reference point in that

> "Social innovation is a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals".

These definitions are used as structuring the perspective of social innovation when assessing the changing approaches to social services in their governance and financing.

The following aspects of social innovation are central:

i. they meet social needs (of specific vulnerable groups, communities or society as a whole) in new ways/initiatives which are more effective and/or efficient than the alternatives (three aspects included: functional, qualitative and economic)
ii. they enhance society's capacity to act and empower/activate people and increase their capabilities (in terms of Sen's understanding of the notion). This is a condition for the previous point (two aspects included: capability, empowering).

Since social services are provided directly to persons or to groups of persons, both aspects are more important than in other fields of the welfare state. When assessing the dynamics of social services and their governance, these aspects should serve as main reference points.[35] The main focus in this analysis is on the 'employment aspect'.

Three broad categories of social innovation can be distinguished (ibid.):

1. Grass roots social innovations that respond to the pressing social needs and demands not addressed by the market and are directed towards vulnerable groups of society.
2. Broader level of social innovations that address societal challenges in which the boundary between social and economic blurs and which are directed towards society as a whole.
3. The systemic type of change that relates to fundamental changes in attitudes and values, strategies and policies, organisational structures and processes, delivery systems and services (often initiated by institutions, play a part in reshaping society as a more participative arena where people are empowered and learning is central).

The analysis will look into all these categories. However, the central focus is in relation to the third type of social innovation, since the greatest potential for social innovation in social services is expected to be generated in the governance systems: in regulation, financing and delivery of social services at the central, regional and local levels. The systemic changes in governance structures and procedures are crucial to the potential of social innovation, since they also empower grass roots capacities and capabilities of

[35] We assume that effective and efficient social services (like other public goods) raise the demand for such services and employment in social services.

individuals and groups. Finally, they can have the greatest impact on sustainable employment in social services.

In recent years, social innovations have empowered people and organisations to develop participative solutions to pressing societal issues, having been generated by social entrepreneurs and grass roots organisations (Huber et al., 2008). A recent trend is the role played by the public sector, not only in supporting social innovation, but in implementing new internal participatory processes which change the way in which actors interact (ibid.). Some EU countries are leading the way in building innovation into their governmental structures and economies with new funds and teams, and with open processes like pooling resources to improve accessibility, quality and affordability.

The social economy represents one of the most rapid growth areas (employing about 6% of the working population of the EU), where innovative solutions are being developed to increase productivity and where opportunities for innovation are foreseen in sectors like energy-efficient products and services, products and services for older consumers, education, social and health services (Huber et al., 2008).

The long-term care services can serve as a good example in the field of public/social services where population ageing and weakening of family ties raises pressing demands and *innovative policies* are adopted in many countries to achieve a better balance between the need to expand social care and the imperative to curb social spending. This field of policies is also considered for the future as the most promising source of job creation (Pavolini & Ranci, 2009).

There is a trend of general convergence found in Western European countries with the emergence of a new type of government regulation. The new policies include these characteristics: i) they combine monetary transfers to families with the provision of in-kind services; ii) they establish a new social care market based on competition; iii) they empower the users through their increasing purchasing power; iv) they introduce funding measures intended to foster care-giving through family networks. They are associated with the decentralisation of government responsibilities at the local level, by providing incentives to develop private services and competition as well as support for care in the family. Besides expanding care and curbing costs, citizens' choices and autonomy are better served at the same time (Pavolini & Ranci, 2009).

4.5 Concluding remarks

The literature on governance in social services has until now mainly explored the new trends in regulation, financing and delivery of social services like marketisation, decentralisation and re-centralisation, networking and public-private partnership, corporate governance, empowerment and participation. At the same time, some consequences on the size, quality, access and costs of the services were explored. The issue of social innovation was marginally explored, although this is implicitly present in the new trends in governance. The impact of the above trends on employment in social services (level, structure, quality) is the least explored issue.

5. The various ways of financing social services

5.1 Taxes and duties

In many European countries, a considerable part of public financing comes from taxes and duties (cf. section 6) and in the wake of the crisis, there have been many changes to European tax systems (Eurostat, 2011). There has at the same time been a convergence process (EU, 2010): taxes can be proportional, progressive or regressive; duty can be levied on a variety of goods and services; flat-rate income taxes have been introduced, especially in a number of the newer EU member states. The most frequent duty is the value added tax, for which the European area has a common agreement on where it can be used as well as limits to the amount of VAT. The maximum amount of VAT can be 25%, but it is possible to have reduced VAT on items such as food and clothes for children. In contrast, high duty is charged on luxury goods such as liquor and perfume. Cars are also often subject to high level duty. In recent years, there has been an increase in environmental taxes and duties, such as gasoline, electricity, heating and water (cf. the discussion below regarding the use of the tax system to improve not only financial, but also environmental sustainability).

Seen from the point of view of equity, progressive income taxes will transfer money or at least take money from people in the higher income brackets, and through direct public provision put lower income groups in a relatively better position. Three different routes to achieve progression in the tax system can be found in OECD countries in Europe. This can be through differences in the tax rate, allowance systems, and a combination of using tax rates and allowances to specific, i.e. low income groups. The countries can be divided in the following way:

a) tax rate – France, Italy, the Netherlands and Spain
b) allowance – UK and Ireland
c) combination – Denmark, Belgium, Finland, Germany and Sweden (Wagstaff & Doorslaer, 2001).[36]

The focus of many recent tax reforms has been the tax rate; instruments used in the crisis have been for those to increase taxes, especially increases in duty (EU, 2010). Besides the tax rate, allowances and deductions have an impact on progressivism. Furthermore, the use of tax credits and exemptions of income can have an impact on whether the system is progressive or not.

How progressive the tax system is depends on the possibilities of using tax reductions, and the tax expenditures built into the systems. In general, tax expenditure measures (Greve, 1994; Howard, 1997; Brixi et. al., 2004) seem to be more favourable to higher income groups, thereby minimising the progressive character of the income tax system. Using tax expenditures to achieve certain goals, which can also be environmental goals, also increases the likelihood of a more complicated tax system. Nevertheless, income tax (especially the progressive scale on gross income) will tend to enhance a more just

[36] Denmark is not included in the analysis by Wagstaff and Dorslaer, but is the authors interpretation. The data in the analysis is OECD data from 1990, so several changes have taken place and the division of countries should therefore mainly be seen as an indication of the variety of approaches available in Europe.

distribution of income. Income tax as head taxes or proportional taxes will have less impact on distribution; in fact, a head tax will have a negative impact, as this would imply a relatively high burden for low-income earners. Furthermore, having a relatively high amount, which might be earned without paying income tax, can increase the redistributive character of the income tax, and imply that it will be higher than otherwise expected. The final outcome might also be progressive even in a proportional tax system, as this also depends on who has access to the services provided and under what conditions.

The lower tax on capital might imply an inequitable situation for some persons, comparing wage earners to non-wage earners; however, Sørensen (1993) argues that from a lifetime perspective the lower taxation on capital implies a more horizontal equity between when income and capital is taxed. On the other hand, increasing the difference between income and capital tax will increase the possibility of tax avoidance and a tendency to transfer money between the different parts of the tax system.

Lower income tax on companies has been part of a trend in Europe (Eurostat, 2008 and 2011) which might be seen in the possible light of tax competition among countries (cf. later). This is a competition which might reduce the ability of having sustainable financing. The overall impact of taxes on company incomes depends not only on the tax rate, but also the often complicated and difficult issues related to global taxation, transfer pricing, etc. The splitting of taxes into a more dual tax system between the taxing of income and capital (with lower tax on capital) can be seen as part of this development. However, it is also “surprising the extent to which incomes from capital sources are lightly taxed” (Tanzi, 2005).

Duty might also be working in the direction of a more just society, especially if the duty is chosen in such a way that it is concentrated on luxury goods. This is one of the areas where the more open economies and borders seem to imply a kind of pressure that has a negative impact on distribution by making it more difficult for an individual country to tax luxury goods higher than other goods, if other neighbouring countries are not doing the same. Duty might be regressive if the proportion of income spent on certain items is higher in low-income deciles compared to high-income deciles. This is an argument for concentrating on goods where consumption seems to depend on the size of the income. A national analysis of consumption patterns between different income groups is therefore a useful tool in finding a structure for fulfilling these goals. The same problem arises if a single country wants to pursue a specific strategy to achieve sustainable development. Even without these specific analyses, duty might be of importance, as it is more difficult to avoid paying (except for trade in the hidden economy).[37] Therefore, duty will be a way to ensure that all income groups contribute to the financing of public sector expenditures. Furthermore, they represent the payments for being in a country and using its facilities. Countries with a large number of tourists might also use this as a way of getting income from tourists, although the balance here is whether this will make the country more costly to visit compared to other tourist destinations.

[37] The size of the hidden economy and relation to finance the welfare state is outside the scope of this report, despite naturally that a lower size of the hidden economy can increase the possible tax base in a country.

5.2 Insurance

Insurance can be seen as a very particular way of financing public sector expenditure. It is in fact doubtful whether or not one can call it financing, unless participation in the insurance is compulsory. If it is compulsory then the characteristics of an insurance-based system will very much look like a general tax – either a head tax or income tax (cf. the social insurance systems in many countries).

Using insurance can therefore be seen as a way of privatising the welfare state where each individual, based upon his/her risk of a certain event occurring, pays a fee. Combinations can, of course, be seen where the state pays the marginal expenditure and the claimant pays a specified amount. In spite of this, the welfare state in itself can be understood as a collective kind of insurance. If it is to work as an insurance-based contribution, there must be a possibility of opting out of the system and choosing to be self-covered, for example. Nevertheless, as argued earlier, insurance can have a negative impact on access to services; furthermore, collective types of insurance can be an option, and for elderly care, even a necessity.

However, there seems to be a high risk of inequality if and when the main part of the system is built on actuarial insurance. Inequalities will arise if the systems are not regulated, implying that the good risks will band together and leave the bad risks to create their own system. Furthermore, high-income earners will have a better possibility of paying for coverage than low-income earners. Therefore, systems based mainly (or at least relying heavily) on insurance systems will tend to be more unequal than other types of financing.

Seen from the individual perspective, and especially from low income groups, the main advantage of an insurance type system is that the stigmatising effects tend to be reduced due to the fact that the payment is due when a social event occurs.

Seen from society's point of view, an insurance system might give more economic freedom to reallocate resources to the poor if the insurance means less pressure on public sector expenditures. By reducing the pressure on the public sector (without implying an overall expansion of the system as in the US health care system), it might be possible to avoid the worst and most negative impact on distribution. Although it may seem that insurance systems create a more dualistic society between those who can pay to be insured versus those who cannot, in practice this depends on the precise nature of the system.

5.3 Employer/Employee contributions

Social security contributions are defined as contributions that are:

a) Paid to institutions of general government providing social security benefits
b) Levied as a function of earnings, payroll or number of employees
c) Earmarked to provide social security benefits
d) Made by an insured person or their employers (OECD, Revenue Statistics)

Employer and employee contributions defined in this way are used in many countries around Europe. Traditionally, the intention has been to finance social security through these contributions (cf. Shibata, 1985; Owens & Paoly, 1985; Musgrave, 1985). They can be a fixed amount, a percentage of the payroll/wages, or combinations thereof. In some countries, the amount paid in this way goes into specific funds which then are paid out when a specific contingency occurs.

The many different ways that contributions have been used shows that a variety of possibilities exist. It can sometimes also be difficult to distinguish here between a contribution and an income tax. Often the difference is that contributions are only paid by those actually on the labour market, whereas taxes and duty are paid by the whole population. How big the difference is depends on how the system is organised. For example, what role the tax threshold plays, in what ways different contributions are levied, and finally, how the rules regulating access to social benefits and services are designed.

The main problem from an equity point of view might be that people without a job will not be covered and persons who are outside the labour market for a shorter or longer period of time will not be covered to the same extent as the rest of the population.

Concerning the overall impact on distribution, it therefore seems that contributions tend towards a more unequal society. This might further be intensified when discussing employer contributions, as this could encourage the use of capital rather than labour, thereby increasing unemployment. Therefore, one should carefully analyse any new type of contribution and perhaps try to reduce or eliminate the existing one or change it to be progressive.

5.4 Wage-related contributions

There are both advantages and disadvantages to wage-related contributions. The advantages are mainly related to the fact that the payment for public expenditures will – at least in certain areas – fall upon those groups which use the public sector. It is also a very broad base that can be taxed with relatively simple tools. It finally establishes a clearer link between certain income transfers and the payment for these.

On the other hand, this is also one of the disadvantages in the sense that it can exclude a person from having access to certain benefits, thereby eliminating part of the general access to benefits. Another problem is that if the contribution is placed in the responsibility of the employer as a percentage of the salary, it discriminates industries which rely on labour, indirectly supporting highly technologically developed industries with low labour costs.

This shows that if one wants to use wage-related contributions, they have to be paid directly by employees in order to minimise discrimination.

5.5 User payments / user fees

Given the ongoing and often integrated debate in many welfare states on user fees as a way of both financing the welfare state and managing the demand for welfare services, this discussion will show more details.

This is an indirect way of financing public sector expenditures. The main reasons for using user fees are:

a) they raise revenue
b) they can regulate demand

c) they can improve allocative efficiency
d) prevention of abuse

User fees can be seen as an attempt to use market mechanisms in order to improve efficiency in the supply of public services. The theoretical argument is that people's demands are higher when they do not have to pay for a good, thereby through free provision the correct preference revelation does not take place, implying in classical economic theory a higher demand than is efficient from a societal viewpoint.

The main problem concerning user fees is that people can decide not to use public services if they have to pay a fee. This can imply that a demand is in fact too low, especially in the field of health care (e.g. preventive use of medicine or visiting the general practitioner too late). In the long run, it could increase expenditures due to more serious illnesses and a higher level of mortality.

User fees and user payments have many of the same features as insurance, therefore the same problems in relation to equity (as described in the insurance section), but the final outcome depends very much on how the fees are calculated and whether all citizens have to pay them. It could be possible to introduce fees that vary with the buying power of the consumer – by introducing, for example, different types of voucher schemes. If done in this way they might not work in a negative way (Greve, 2002).

A problem with user fees has to do with the problems of high combined marginal taxes and reductions in social security benefits. This might imply a combined marginal rate above 100%, which reduces the possibility of charging using a different scale for different income groups.

5.6 Tax expenditure

The removal of tax subsidies or tax expenditures, thereby broadening the tax base, is also a way of increasing both the revenue and equity in the provision and financing of public sector expenditure.

Tax subsidies can in fact also be seen as public sector expenditure; the removal of tax subsidies can thereby be seen as a way of reducing direct public sector expenditure. If the level of taxes is an indicator of possible distortions, it will at the same time reduce distortions.

The trend in Europe has been to reduce tax subsidies, thereby increasing the simplicity of the systems and broadening the tax base making it possible to have lower tax rates.

Again, fiscal policy and support for the other types of spending indirectly (through the tax system) have an impact on the need for fiscal instruments. This, however, is not fully explored in this study.

5.7 Summary

The table below shows the advantages and disadvantages of the different approaches presented. The aim has been mainly to present an overview more than give a detailed prescription of how they work. Nevertheless, the table is an indication of how the different varieties of taxes and duties all have different kinds of benefits and drawbacks. Therefore, it will often be the combination of taxes and duties that needs to be analysed

– how they influence different goals for a society including sustainable financing, environmental issues, impact on the labour market, impact of equality and to be easy to administer. Furthermore, different kinds of taxes and duties can have a different impact on allocation, distribution and stabilisation; this is important in that the structure will often have to change depending on the desired goal and the overall economic system.

Table 5.1 Main instruments of financing including possible advantages and disadvantages

Main tax instruments	Advantages	Disadvantages	Used in – and in reference to main welfare regime
Income tax	Can ensure a high level of revenue and can be made progressive. Can be applied to both wage-earners and companies	Risk of changing balance between work and leisure, especially with high marginal tax rates	All European countries, especially Nordic universal welfare regimes
Value Added Tax	Relatively simple, and can vary between types of goods (e.g. low or zero on foods). Will also be paid by tourists and those not paying income tax	Might have a negative impact on distribution as persons with lower income tend to have a higher propensity to consume	All European countries, especially Southern and Eastern welfare regime countries
Duty	Can be targeted to luxury goods thereby having a positive impact on distribution. Can also help to enhance the environment	Administration and, if not targeted, an upside-down effect	To a varying degree in all EU-countries, however Southern and Eastern to a higher degree
Social security contributions	Simple and effective; ensure financing of welfare activities	Risk of no coverage for those outside the labour market	Especially in the central continental and liberal welfare model in Europe
User-fees	Increase information on consumer preferences and paid by those receiving the services	Risk of low income earners not obtaining the service or obtaining it later	Especially used in the health care area, but also transport, day-care for children in many EU-countries; liberal model countries to a high degree
Others	Can be a way to tax inheritance, wealth, housing	Mainly administrative, but also possible negative side-effects in relation to mobility	Only more limited; with a very varied structure
Tax expenditures	Simple and can be targeted to areas	Up-side down effect; make the priorities	In most countries, but size not clear, and no

	deemed by the political system to be important;less visible in the political process	unclear, therefore also labelled hidden welfare state	clear relation to model; high in Nordic countries

Note: The examples given above are only indicative and serve as a way to interpret the goals; they are not always the precise outcome of the uses of the various instruments available.

Source: Greve (2010).

Finally, one needs to be aware that decisions on taxes and duty are not only influenced by the composition of the national economy, but also by European integration and decisions in neighbouring countries. Therefore, decisions related to tax and duty are taken within an existing national and international economic framework. Given the increasing globalisation of trade and financial systems, as shown in the last financial crisis, this also raises the issue of how and to what degree individual countries can pursue their own tax policy. Coordination and limits, as for example those already existing in the EU directive on value added taxes, might thus be needed to ensure stability in the European economic system.

6. Empirical knowledge on financing social services

6.1 Introduction

This section will present tables on spending and financing of the welfare state in the EU. The focus in this section is thus empirical data, which also will look into more details of financing in the four chosen countries. This will also include some information on public sector spending, public sector deficits and debts, given that these issues are relevant in the wake of the financial crisis and the need to finance the welfare state. There will also be some discussion of the methodological issues arising from the analysis of this area.

An enduring and difficult issue is how the public sector is defined (e.g. in national accounts), as this forms one of the problems with data and how a shift in the mix of service provision can be difficult to measure. Classical expenditure is within the realm of the public sector if it is either directly delivered and financed, or more than 50% of the expenditure is financed by the public sector.

This raises issues not only on the expenditure side, but also on how to measure the impact of public resources used by private sector services providers in terms of employment. It can thus be very difficult to be precise about the level of employment in the social service area given the structure of national accounts and how data are calculated. Furthermore, when the public sector tries to cope with market failure, as argued earlier, this will not be registered as public employment.

A further problem is how to measure the impact of benefits provided to users of services in terms of employment. This, for example, relates to users of benefits and/or vouchers. This is especially the case for the use of vouchers that have been given to users in order to purchase a service in the private sector. The problem does not arise if they can only use the voucher to choose between different public sector providers. The growing use of private care, especially in the area of elderly care, implies an increasingly blurred borderline between public and private, especially when measuring employment. A rise in private sector employment in cleaning might thus be supported either directly or indirectly by public sector intervention, but may not be registered as such.

Neither do data on the level of unemployment necessarily give the same information, nor does the expenditure on passive and active labour market policy (Lefresne, 2010).

The ability to have a sustainable level of financing does not only depend on the level of taxes and duty, but also on direct public sector spending, as well as the size of the hidden welfare state (Howard, 1997; Greve, 2007). Reductions in subsidies through the tax system and the broadening of the tax base could thus also be an instrument to pursue in order to achieve sustainability. Given the limits of available data, focus will especially be placed on those elements related to direct public sector spending and issues related to the tax and duty systems, with an implication for sustainable financing. The choice has been to mainly use data from 2000 and onwards, given that this covers different economic business cycles; using this time span also indicates that possible structural changes in societies are included in the analysis. In a few instances, references to longer time periods will also be included. The countries included in the analysis have had relatively high growth rates since 2000 and have at the same time witnessed rather different growth rates (2009 with -4.0 was an exception); Germany was low in the early part of the century (at -4.7 in 2009) and then had stronger economic growth. Denmark was high in 2005-2006 then low and negative in both 2008 and 2009; the UK was low in the earlier period and then negative in both 2008 and 2009.[38]

In this way the analysis will mainly deal with public welfare in a Titmuss framework of understanding. Nevertheless, a reduction in the level of fiscal welfare could increase the likelihood of more sustainable financing; the change in tax rates (e.g. if this is connected with changes in the tax base) might imply that the total tax income remains the same despite change in the tax rate. The broadening of tax bases has also been part of the fiscal process in several countries (as mentioned earlier), as this also makes the tax system more coherent, simple and sustainable.

6.2 Spending on social services

As a general rule, development measured in % of GDP has been used despite the fact that this measurement can be criticised for not reflecting:

- Real change in the level of spending
- Spending per user of the system
- New needs arising, or old needs having less need for coverage
- Possible change due to shifts in GDP – both in upward and downward directions

Given that the ambition here is to present an overview of the development and a first presentation of indicators of the financial crisis and its development, along with a discussion of sustainability in financing this has been seen as a reasonable methodological choice.

Table 6.1 Total public sector spending as percentages of GDP in the four countries and EU15, EU27 since 2000

	2000	2005	2010
European Union (27 countries)	45.2	46.8	50.3
European Union (15 countries)	45.3	47.1	50.8
Czech Republic	41.8	45.0	45.2
Denmark	53.7	52.8	58.4
Germany	45.1	46.8	46.6
United Kingdom	39.1	44.1	50.9

Source: Eurostat.

Table 6.1 shows a picture of a relatively stable development in the EU as a whole and Germany and Denmark between 2000 and 2005; however there is a clear increase in the Czech Republic and the UK. After the financial crisis, a combination of the economic recession and fall in output and money spent on supporting the financial sector resulted in an increase in the proportion of public sector spending as percentages of GDP;

[38] Based on data from OECD Economic Outlook 2011/1.

however, not to the same degree as in Germany and the Czech Republic. This is thus one indicator of why there has been an increase in public sector deficit in many countries that has been a combination of increased public sector spending and at the same time not a sufficient change in the income.

Table 6.2 more specifically focuses on public sector spending related to social protection.

Table 6.2 Total (gross) expenditure on social protection as percentages of GDP in the four countries and EU15, EU27 since 2000

	CZ	DK	DE	UK	EU15	EU27
2000	19.5	28.9	29.3	26.4	26.7	26.6 (2001)
2005	19.2	30.2	29.7	26.3	27.8	27.1
2008	18.7	29.7	27.8	23.7	27.1	26.4

Source: Eurostat, extract 15.11.2010 tps00098, and Statistics in Focus, no. 17, 2011.

The data in the table above show gross public sector spending in the area (not taking the impact of the tax system or occupational welfare into consideration), including the possible payment of social contributions. In the Czech Republic gross and net expenditure are almost the same in 2005, whereas the net expenditure in Denmark is around 84%. In Germany it is around 93% and in the UK around 97% (Eurostat, statistics in Focus, 102/2009). This also implies that the difference in spending on welfare issues is less when including the impact of the tax system and occupational welfare (Adema & Ladaique, 2005; Greve, 2007). The data do not reflect the differences in GDP, as the spending per capita is highest in Denmark, then Germany, the UK and finally the Czech Republic. The change in public sector spending is also influenced by economic development. In many countries from 2005 to 2008, this was a time of increasing GDP, making it possible to reduce spending in relative terms in order to be compatible with a real-level increase in absolute spending on social policy; spending in euros per inhabitant increased from 2007 to 2008, for example. Given the development from 2008 to 2010, this needs to be further analysed when more data are available.

Spending on social security must be seen as the best proxy for the area of social services; therefore, these data have been included. Here the development has been quite stable since 2000, indicating that the pressure on public sector spending to a large degree has been a consequence of the fiscal crisis. However, the increasing level of unemployment has also had an impact, but social protection expenditure has mainly been developing in line with general growth in the economy, thereby maintaining the same proportion of the economy, in relative terms.

6.3 Revenues for financing social services

There has been a trend towards convergence on spending in the EU, as indicated in Table 6.3, and in the financing.

Table 6.3 Trend towards convergence in the long run – EU12 and EU27 – measured coefficient of variation

	1980	1993	2000	2008
EU 12	0.3	0.21	0.19	0.13
EU 27	..	0.24 (1996)	0.25	0.24

Source: Greve, B. (1996) and calculations based upon Eurostat data for spending on social protection as a % of GDP.

Among the old 12 member states[39] where data is also available for a longer time span, the tendency for convergences in spending can be witnessed, whereas there is still no clear tendency for increased convergence for all 27; nevertheless, the starting level for differences in spending is less than it was among the 12 member states.

Besides the actual level of spending in all countries, there is pressure arising from the changes in the demographic composition. Below is shownthe expected change in age-related spending on health care, long-term care and pensions from 2010 to 2025 for the four countries as percentages of GDP. The data show increases from 2010 to 2025 as percentages of GDP as follows:

Czech Republic 1.8

Denmark 2.6

Germany 2.6

UK 2.1 (OECD, 2011b Table 4.2)

The pressure arising from demographic changes is thus increasing the likely pressure on welfare state spending and the need to ensure a structural surplus in the public sector budget. This is in addition to the changes needed in the wake of the financial crisis (cf. later).

Given that pressure on public sector income and expenditure is also related to the level of unemployment, the need for an effective active labour market policy increases and economic policy to ensure a higher level of employment and lower level of unemployment can reduce pressure on public sector spending.

Table 6.4 Taxes and duty as % of GDP in the four countries since 2000 and EU15, EU27

	CZ	DK	DE	UK	EA17	EU27
2000	33.9	50.2	43.3	38.1	42.4	41.7
2005	37.2	51.7	40.2	37.6	40.8	40.3
2010 (09 p.t)	34.5	49.0	41.1	36.7	40.4	39.7

Source: Eurostat, Statistics in Focus, 26, 2011 (online data code: gov a tax ag).

39 For example, France, Belgium, Netherlands, Italy, Germany, Luxembourg, Denmark, Eire, UK, Portugal, Italy and Greece.

Table 6.4 shows a picture of a decline in the relative size of revenue since 2000, with the exception of the Czech Republic. It also indicates that in the wake of the fiscal crisis, revenue has decreased, although a decrease in revenue is only more limited looking at all the EU countries, with Germany being an exception from 2005 to 2010 with a slight increase in the overall level of taxes and duty. The decline was sharper from 2008 to 2009, where it also declined in absolute figures. In 2009 the level of tax revenue in the EU member states was highest in Denmark (49%) and lowest in Latvia with 27%; the average for all 27 member states was 39.7%. Germany had 41.1%, UK 36.7% and Czech Republic 34.5% (Eurostat, Statistics in Focus, 26/2011). The countries involved in the analysis are thus both above and below the EU average. As a consequence of the financial crisis, development in recent years has resulted in a lower level of taxes and duty as percentages of GDP.

There is also a very diverse structure of the tax and duty system. Within the EU tax on income is 11.4% of GDP in the EU27 with 29% in Denmark, 7.3% in the Czech Republic, 10.6% in Germany and 13.2% in the UK. Tax on production refers to direct taxation on production (e.g. of companies) and accounted for around 13% in the EU, with the following figures for the four countries (in %):

CZ	11.7
DK	17.0
DE	12.9
UK	12.0

Again Denmark has the highest share; however, the other countries have a similar level. The picture is different when looking at social contributions as percentages of GDP, where the average of the EU27 is 13.1%, while the four countries are:

CZ	15.4
DK	1.0
DE	16.0
UK	7.9

This is a clear indication of the variation in the tax structure, although the direct consequences need not be very diverse, as different routes can be used to achieve the same result (cf. the theoretical discussion on taxes and duties). Reducing pressure on tax and duty systems, or on public sector spending (cf. Section 3), as a way to reveal users preferences is difficult in the public sector given that no market exists, thereby competition among parties and voters is the main way to express a variation in the demand for services. All countries have some user charges, which especially prevail in the health care sector, child care and in some circumstances, elderly care.

Historically, the tax system through its way of given incentives and trying to push people towards a specific action has also been an argument for using green taxes, albeit also a revenue issue has been central. It seems, however (cf. Table 5.5) that the overall level of using green taxes only plays a partial role.

Table 6.5 'Green taxes' as % of GDP in the four countries, EA 16, EU27

	CZ	DK	DE	UK	EA16	EU27
2000	2.6	5.3	2.4	3.0	2.8	2.8
2005	2.7	6.0	2.5	2.5	2.8	2.8
2010(p.t.2008)	2.5	5.7	2.2	2.4	2.5	2.6

Source: Eurostat, 2011 edition, Government Finance Statistics.

Denmark is the country with the highest use of green taxes and duties. The Czech Republic is ranked 13th, the UK 16th and Germany 19th. There has not, however, been any increase in the use of these taxes and duty since the mid-1990s. For all the EU27 there has even been a slight setback this century in the use of this type of tax and duty. Germany is also in the lower middle range of OECD countries. This is despite the fact that there was an environmental tax reform in 1999 (Koske, 2010). It seems to have slowed down since being an indicator of that a constant focus is needed to ensure that environmental sustainability continue.

Environmental taxes and duty (cf. also later) is said to include a double dividend by making it possible to increase taxes at the same time as reducing pollution and taxes on labour. However, the picture is blurred by the fact that if the policies are working (e.g. if consumers and producers change their behaviour as a consequence of new duty), this will have an impact on the size of revenue; a tax base of this kind of tax and duty is therefore less stable (Koske, 2010). The size of the revenue cannot be the only indicator of public sector impact or the influence of a sustainable environmental development.

Tables 6.6 and 6.7 show the deficit and debt.

Table 6.6 Public sector deficit as % of GDP in 2000, 2005 and 2010 in the four countries and EU17, EU27

	2000	2005	2010
European Union (27 countries)	0,6	-2,5	-6,4
Euro area (17 countries)	0,0	-2,5	-6,0
Czech Republic	-3,7	-3,6	-4,7
Denmark	2,3	5,2	-2,7
Germany	1,3	-3,3	-3,3
United Kingdom	3,6	-3,4	-10,4

Note: The deficit is calculated according to the excessive deficit procedure.

Source: Eurostat (gov_dd_edpt1).

Table 6.7 Public Sector Debt as % of GDP since 2000

	2000	2005	2010
European Union (27 countries)	61,9	62,8	80,0
Euro area (17 countries)	69,1	70,0	85,1
Czech Republic	18,5	29,7	38,5
Denmark	52,4	37,8	43,6
Germany	59,7	68,0	83,2
United Kingdom	41,0	42,5	80,0

Source: Eurostat (gov_dd_edpt1).

The overall picture gleaned from the above presentation is that the financial crisis has had a profound effect (cf. the development in deficits from 2005 to 2010) on the public sector deficit and the level of debts in most countries, thereby increasing the pressure on the welfare state. Naturally, a deficit due to rapid change in economic activity only is, from a sustainability point of view, less a problem than more structural deficits in the public sector. This also explains why the crisis and the measures taken have been different in different countries. Increased pressure from an external economic shock are more problematic for countries with a high level of structural deficit and already having a high level of public sector debt than for those with more stable and low debt levels. This shows that countries might need to use different kinds of intervention strategies, depending on the overall level of public sector debt. In 2010 there was a great need for consolidation requirements for three of the four countries (Denmark being the exception); the highest need was in the UK. The Czech Republic also had a relatively low level of debt, making the overall long-term pressure less strong than in the other countries; Germany had economic growth in recent years, also implying less pressure. This is also shown in the requirement for consolidations calculated for after 2012 to be negative (-0.6 in Denmark), around 0.5 in both Germany and the Czech Republic and 4.5% of GDP in the UK (OECD, 2011b).

More specifically in relation to care for the elderly (which is highly labour-intensive and where expenditures are expected to grow due to the demographic transition), countries have a variety of options to organise and finance long-term care.[40] Governments here have the option of supporting either in cash or service, or a mix of both. Most OECD countries have collectively financed schemes for personal and nursing care costs, as in the Nordic countries through the tax system, or as in Germany through collective insurance. In the UK there is a means-tested system for long-term care costs (except for Scotland with its universal system). The Czech Republic has a mixed system. The private insurance seems to be a niche market (OECD, 2011a). Naturally, having a universal system, as is the trend, does not in itself say anything about the size, debt or breadth of the services delivered. A clear issue in all the countries is the balance between the roles of the private carer (mainly family) and the state. If the family's role is reduced (e.g. to the extent that the employment rate increases, especially for women),

[40] For an overview of long-term care in Europe including also how it is organised and financed, cf. "Special issue on Long-Term care in Europe", *Social Policy & Administration*, Vol. 4, 2010.

this can imply a pressure on public sector spending and problems in order to find the necessary labour supply. Table 6.8 shows the expected development in ageing-related spending in the four countries and the average for OECD from 2010 to 2025.

Table 6.8 Changes in ageing-related public sector spending in CZ, DE, DK, UK and OECD average in % of GDP in 2010-2025

	Health care	Long-term care	Pensions	Total
Czech Republic	1.4	0.6	-0.1	1.8
Denmark	1.2	0.3	1.1	2.6
Germany	1.2	0.6	0.8	2.6
UK	1.1	0.5	0.5	2.1
OECD Average	1.3	0.6	1.0	2.9

Source: OECD (2011b).

It is obvious that pressure based on stylised calculations, e.g. not taking any future policy initiatives into consideration, and also including an assumption of a 1% stronger growth in health care spending than income per year) is a challenge, but perhaps less so than is often assumed. If national governments are able to keep growth in public sector spending in line with increases in national income spending and the population becomes healthier, the pressure from demographic transitions could be less than is often predicted.

More specifically, Table 6.9 shows the distinct features of the four countries' systems.

Table 6.9 Public long-term coverage – overview of the central aspects

	Eligibility for coverage	Coverage programmes	Source of financing	Target disabled population	Types of benefits provided	Public spending on LTC in % of GDP
Czech Republic	Mixed System	Parallel cash-benefit schemes	Public budget from general taxation	all	Cash and in-kind, home and institutional care	0.2 health, 1.2 social
Denmark	Universal coverage within a single system	Universal, tax based	Block grants from federal government; local taxes equalise amounts from other local authorities	all	Cash and in-kind, home and institutional care	1.8
Germany	Universal coverage within a single system	Public LTC insurance, social insurance	Tax, premiums, financing from Lander budgets	all	Cash and in-kind, home and institutional care	0.9
UK	Mixed-means-tested social care	Means-tested safety net; Universal	General taxation – given as block grants,	All aged over 18	Cash and in-kind, home and institutional	0,96 (2002)

	system, with universal benefits for disability	benefit	local taxation (council tax)		care	

Source: OECD (2011a).

Generally speaking, they are all universal and with great public sector involvement in the financing.

A further seemingly common issue is how costs are shared in the systems. Cost sharing seems to have a variety of forms:

a) Users have to use all their means before being eligible for support (e.g. from the state)
b) Defined public contribution, cost sharing as residual (e.g. in Germany)
c) Flat-rate cost sharing
d) Income and/or assets related benefits (e.g. Czech Republic) (Based on OECD, 2011a)

In Denmark most of the health care is free, albeit with user fees on particular medicines, dental care and physiotherapy.

The four countries have different ways of organising and financing the central welfare areas. Generally, public sector financing is important for social services and for access to services and thereby it is also important when trying to depict the future developments of employment in the social services, as there is and presumably will continue to be a relation between public sector expenditures and the number of people employed in social services due to the high labour intensity in the area of care.

6.4 Sustainable financing methods

Increased focus on using environmental taxes and duty to reach the ‘double dividend’ (e.g. lower pollution and reducing distortionary taxes on, for example, labour, thereby reducing pollution and increasing employment) (Beuermann & Santarius, 2006) can be seen as important for most EU countries (cf. also data on green taxation in Table 6.5). At the same time, a shift could also increase growth by a level of around ¼% in the short term per 1% of GDP change in taxation (Johansson et. al., 2008). Furthermore (as shown in Table 6.5), the development towards a higher use of these kinds of taxes and duty as instruments has remained quite stable. From 1995 to 2001, the share of taxes stemming from green taxes declined slightly, but it slightly increased as percentages of GDP from 2.2% in 1980 to 2.8% in 2001 (Albrecht, 2006). A part of the reason is that changes in the composition of the tax system often relate to the need for more revenue, or a wish to lower taxation. Often an increase in environmentally friendly taxation is used to lower taxes on labour. This also helps explain why energy taxes are the most central.

Environment-related taxes and duties can be based on quantity used, time scale and access. In principle, environmental taxes should at least ensure that the marginal social cost of pollution is paid for by the polluter. One criticism is that the possibility to buy rights for emissions implies that the rich could continue to pollute. Another criticism is that if one country alone introduced taxation, but the free movement of goods and services continued, the products would simply be produced in another country. Furthermore, it seems that tax reforms in this direction have met with opposition; there has been a lack of trust in that governments would recycle the revenue to lower taxes on wages, for example (Dresner et. al., 2006; Beuerman & Santarius, 2006; Klok et. al., 2006). A just outcome of the increased use of environmental taxes and duty might be achieved by reducing taxes for very low income groups, or increasing income tax thresholds or direct transfer of benefits (Clinch et. al., 2006).

The UK serves as an example in the area of green taxation. They have had reforms to increase environmental incentives, including vehicle excise duty linked to the emissions. However, the revenue has been declining slightly as a percentage of GDP due to the fact that the government stopped the annual above-inflation increase on fuel duty. They did this due to the risk of fuel poverty (Choe et. al, 2007). Again, the risk of having to trade between efficiency, reaching different revenue targets and the equality issue is at stake.

There can be a balance between environmental changes and other elements of the tax and duty system – more on types and relations to other countries (e.g. the open economies argument). Another issue has been that using environmental taxes and duty can be quite an administrative burden. The overall effect can be difficult to measure (e.g. the exact impact on the nature of different types of activities, whether they can be reduced by specific types of taxes such as those on CO_2, NO_x and SO_2. Therefore, it has been suggested that the focus should be on product differentiation whereby sustainable products are not taxed, while non-sustainable ones are taxed (Albrecht, 2006). However strong this argument might be in theory, it might be rather difficult to implement. The reason is a lack of precise data, including difficulties in establishing a specific borderline between different goods where substitution is possible. A good example is taxation on transport: cars can drive different distances per km; however, the time used on travel also has an impact on societal welfare. Consequently, even if it were environmentally more efficient for everyone to use public transport, this could reduce the overall level of production. Furthermore, if taxes on cars do not differentiate between the degree of pollution, there will not be any incentive to reduce pollution. Thus the low level of duty on gasoline in several countries might help to explain why the incentive to make more energy-efficient cars has been less strong. This can also explain the lack of trust in these reforms; an argument for the idea that a "simple tax shift contributes to the solution" (Beuermann & Santarius, 2006, p. 923) could be not be substantiated, because in principle unemployment and the environment are two very different and difficult problems. If environmental tax reforms have been oversold, as is argued in several countries (Klok et. al., 2006; Beuerman & Santarius, 2006), this might also help explain why it has been less pronounced and less on the agenda in recent years in relation to reforms of the tax and duty system.

Furthermore, another analysis indicates that there might be possibilities for at least reductions in energy consumptions based on imposing environmental taxes and duty (Agnolucci, 2009); this also refers to a study based on 140 simulations that argues that "reductions in carbon emissions can be significant" (Agnolucci, 2009, p. 3044). These reductions can be achieved without a negative impact on employment. The possible negative impact on employment relates to the issue of whether a country is to change the system alone, thereby risking lower competitiveness vis-à-vis other countries. Again, this points to the fact that using duty in order to reduce environmental problems might best be done through concerted actions.

Even if there is the option of reducing the negative impact on the environment from production and consumption, another question relates to whether this reduction will be sufficentin the case of an increase in the average income and an expectation that those with a lower consumption level expect to attain a higher one in the future, e.g. there will be an increase in the overall level of production with a higher impact on the environment.[41]

This is despite the fact that there is a risk that classical Keynesian demand management to increase employment might "be environmentally destructive" (Forstater, 2006).

Nevertheless, there is a need for a more detailed understanding of what sustainable financing is. The Economic and Monetary Union of the EU has set targets of a maximum of 3% public sector deficits and a maximum of 60% public sector debt. Thus the question is whether these are sufficient criteria when related to other types of sustainability (e.g. environmental, demographic and equity issues). Furthermore, it is important to see how different ways of using the financial system might have an impact on the growth in the economy.

The debate on sound public finance is not new. The balanced budget multiplicator in several economic textbooks shows this, but Lerner (1943) also points out that financing should not be judged only upon the overall effects or only on sound finance, as the impact of changes on the public sector economy and the level of activities also depends on the overall economic situation in a country.

The demographic impact on the welfare states has been discussed, analysed and debated for years now. The challenge is that the number of elderly compared to the young will increase due to the fact that the average life expectancy has increased and the fertility rate has been below the reproduction level. However, there are a number of problems related to just taking the demographic data into consideration (Greve, 2006).

In relation to ensuring economic growth, the issue is also how to choose financial instruments, given that economic growth will be able to have a positive impact on sustainability; this typically has an impact on both the overall level of public sector spending and income.[42] An OECD study has thus pointed to a general rule that the impact on the growth of taxes on immovable property has the least impact and taxes on corporations have the highest impact (Johansson et. al., 2008). Still, as indicated in the presentation of how the tax and duty system works and the types of impact and goals they have, this has to be considered against the impact of the overall efficiency of the system, impact on distribution, allocation and stabilisation.

[41] This discussion is not only European, but relates to a more global framework. This is, however, not within the scope of this paper.

[42] This is not the place to discuss issues concerning how to measure economic growth, whether GDP is a good measure for this, or the impact of economic growth on environmental sustainability and happiness.

The nation state might be defined and related to its ability to have taxation powers. “The diversity of the tax base is a telling indicator of the ability of the state to engage with different sectors and regions, and is indicative of the degree to which state authority permeates society” (Di John, 2011, p. 270). The study also points to the clear issue, as indicated above, that the state has to balance equity and growth.

This then again refers back to the welfare state as an investment state (e.g. establishing care for children to enable both the mother and father to be on the labour market), as has been seen in most EU countries, and also in welfare regimes like Germany and the UK, which have previously been seen as rather service-lean states (Fleckenstein, 2010). Whether one should focus on sustainable social development over sustainable development (e.g. more focus on the investment and social issues than the financial sector) is a more normative question, as some suggest (Tangian, 2010). However, social policies can be seen as having an impact on the ability to reduce risk in modern societies and the ability to influence economic development through a more extensive welfare state.

Still, this also points to the fact that the fiscal sustainability of the welfare state is not only narrowly related to the welfare state, but also to external shocks such as the financial crisis starting in 2008. Given that this was not clearly foreseen, it highlights another issue: that long-term forecasting can and might be a very difficult issue, as individuals have a tendency to prolong our actual knowledge and understanding, but not take into account what happens over time with different types of unexpected shocks in the economy. (For a longer discussion of outliers and Black Swans see Taleb, 2010). Nevertheless, the public sector can have and has had the ability to dampen the impact of the fiscal cycle, although unemployment insurance itself seems not to have always had a clear and consistent cyclical pattern (Lefresne, 2010).

Earlier automatic stabilisers have generally been used fully during economic crises in most countries. In 2009, Germany enacted a new fiscal rule limiting the structural deficit to 0.35% of GDP and for the structural balance in the Länder to be implemented gradually by 2016; this is because the structural deficit was higher. In Germany there was a consolidation of public finances from 2003 to 2007; in these years the general government expenditures fell by more than 4 percentage points. The consolidation was hampered by a contraction in the German economy of around 6½% between the second quarter of 2008 and the first quarter of 2009 (p. 6). This combined with fiscal stimulus packages implied strong growth in the public sector deficit.

It is argued that the way to sustainable finance is through several different channels, including more efficient use of public sector expenditures, but also “given the magnitude of fiscal consolidation required, the spending cuts will most likely have to be accompanied by revenue raising measures” (Koske, 2010, p. 18). Furthermore, phasing out tax concessions and changes towards a better structure for the tax base as well as increasing environmental taxes and duties could be elements of fiscal consolidation. This also implies more focus on taxes on consumption and property, as they have less impact on growth. For use on houses and land, it is also argued that “the tax base is relatively stable” (Koske, 2010, p. 20).

6.5 Summing up

A variety of measures can help to ensure fiscal sustainability with regard to having long-term stability in public finances while taking environmental issues into consideration. However, there is a gap in knowledge as the long-term impact of tax reforms is difficult to disentangle from other changes in public sector spending/ income and societal development.

There is further a need to define sustainable financing and the development of welfare states. There is also a need to continuously be aware of how and to what extent the welfare states are influenced by ongoing and presumably frequent and different types of external shocks. How to finance the welfare states in the most efficient way thus also raises questions of the composition of taxes and duties, given the different purposes and ambitions of the tax systems. The combination of sustainable financing and the impact on job creation and social services needs to be explored further.

Measures already implemented show that there could be a rule enacted even for the structural deficit, as was demonstrated by the case in Germany. Whether this rule should be the same as the one used in Germany (0.35% of GDP) is a matter for discussion. A limit to the structural deficit will not be a hindrance for active fiscal stimulus in times of crisis, but unless there has been focus on ensuring a surplus in good times, it might imply a stronger focus on public sector spending.

A continuous focus on the tax base and broadening it by reducing loopholes and tax concessions also seems to be a way to ensure sustainable revenue for the public sector. Moving towards a higher reliance on non-movable assets, including property, can also contribute to more stable development.

7. Conclusions

The aim of the research

WP7 has brought an innovative perspective to considerations about the future development of social services, also aiming for sustainable employment in Europe: it explores how selected EU countries pursue their fiscal policies and relates this to development in social services; how they develop the modes of governance and the public/private mix in social services, and the consequences for employment in social services.

Until now these questions have been addressed in a limited way: either the issue of governance in social services was in focus, or the issue of levels and structures of employment in the wake of changes in societies was discussed. As they have always been handled separately, it has not been possible to thoroughly reflect on the link between the two issues. Nevertheless, these questions could be central for the financial sustainability of the economies studied and their welfare states in the future.

The 'problem pressure' (combination of dynamic labour markets, the ageing of society and changing family structures) might increase the demand for social services and thereby also raise employment in this sector. On the other hand, the globalised economy and the financial crisis might bring 'permanent austerity' to public finance and lead to a more difficult post-crisis consolidation, thus implying increased difficulty in implementing far-reaching fiscal reforms towards a higher level of sustainability.

The central question to pursue: what are the long-term consequences of the above circumstances with regards to the demand for, provision of, and employment in social services? What can be learned from the changes in governance and in the financing of social services in this respect?

Employment in social services as a 'dependent' variable

It is assumed here (in line with the pioneering studies by Flora and Heidenheimer, 1984; Esping-Andersen, 1990; Pierson, 2004) that the following 'independent variables' influence the development of social services and employment therein:

- problem pressure (new social risks, ageing of society, changing family structures)
- economic crises (which are recurrent); consequently, possible economic pressure on the welfare state and at times cuts in public sector spending
- the costs of social services for the consumer and specific measures affecting the demand for social services, like the scope of public support of social services, or the level of user fees which typically help regulate the demand for social services; path-dependency/institutional factors: legitimacy and established models of the welfare state
- the overall trend towards service economies

Employment in services is expected to grow: the demand side type of explanations focus on the shift in the hierarchy of needs: from the demand for goods to the demand for services (and luxury goods). The supply side argument refers to the lower productivity growth in the service sector compared to other sectors in society (e.g. Baumol's disease). Nevertheless, in spite of these assumptions, social services are challenged by the demands of economic efficiency, which have led to the shift of governance towards the market: the distinction between the public and private sectors has become more blurred. However, public social service is still very central to most welfare states. There is a lack of knowledge about how the increased use of market type mechanism will influence employment in social services.

The consequences of the above circumstances for the level and composition of employment in social services are thus not self-evident. The issues are not only the scope and sector structure of employment, but also the quality of jobs and social structure. Another issue relates to the level of employment in social services due to a possible problem arising with the future labour supply in social services as a consequence of demographic transitions; this could include the ability to employ the 'least employable' people in society. For this reason, the issue of dualisation/segmentation of employment in social services is also highly relevant.

Social services

Social services (of general interest) can be of an economic or non-economic nature, depending on the activity. The European Commission provided definitions of the two main categories of social services:

- Statutory and complementary social security schemes, organised in various ways (mutual or occupational organisations), covering the main risks of life, such as those linked to health, ageing, occupational accidents, unemployment, retirement and disability
- Other essential services provided directly to a person, comprising services such as social assistance services, services which complement the role of family in caring like long-term care and child care, employment services and training, social housing (COM, 2007).

Basically, we use this definition of social services: it is central with respect to the first category beyond the fact that social services focus on provisions in kind like health care, elderly care or day care. However, strictly speaking this does not involve social security benefits except those that are specifically designed to be used for the purchase of services. Given the development of more choice and the use of vouchers, there is a gap in existing knowledge about a clear interpretation of the borderline between provisions in cash and provisions in kind. The second category basically accounts for services provided in kind (although user fees may be charged).

Social services are an essential element of national social protection schemes. They contribute to the core values and objectives of the EU member states and the EU, such as achieving a high level of employment, social protection, health protection, equality between men and women, and economic, social and territorial cohesion. Social services aim at both improving the quality of life of citizens and at providing social protection. Childcare, health and medical care are expected to support everybody at some point in life. Social services also assist vulnerable individuals and persons who have a range of special needs and risks.

Employment in social services and the public sector

The development of social services, including expenditure on public social services, have consequences for employment in social services. Public services represent the backbone of social services in most countries, as the public sector still plays an important role in these areas; nevertheless in recent years there has been an increase in delivery by private actors as well.

There are two mechanisms which have to be taken into consideration.

First, the demand for services is growing due to the ageing of the society and/or the increase in the participation of women in the labour market. The other important mechanism is the change in the employment structure where services dominate over industrial production (demand shift towards sectors of services, including social services). Consumers are becoming more affluent and increase demand for social services. Finally, the social service/public sector acts as a buffer against the risks of economic instability; public employment grows as a response to general unemployment.

Three other types of argument have been given to support the hypothesis of the expansion of employment in social services:

1) Ideological factors: well-developed policies in social services during the Golden Age may persist long after the factors that caused them have been exhausted.
2) Institutional factors: vested interests matter since service providers tend to form coalitions with service consumers. Furthermore, increasing public interest combined with increasing technical complexity has made public provision necessary in health care, independently of the ideological/welfare regime constellation.
3) User profiles: in education and healthcare, unlike in social transfer programmes, high-income groups are among the consumers, thereby increasing support and demand for such types of service.

Empirical studies exploring the effect of fiscal austerity on welfare spending suggest that since governments follow anti-cyclical public employment policy in order to gain electoral benefit, growing general unemployment would have a positive effect on public employment growth. On the other hand, growing public budget deficits cause a reduction in the growth of public employment, whereas growing GDP per capita has the opposite effect (Cusack et al., 1989; Tepe, 2009). In the period 1995-2005, the share of both public administration employment as well as health and social services employment in total employment grew from 10.3% to 12%, although there are differences between countries.

Employment in health and social services grew much faster than in the other sectors of the economy: between 2000 and 2009, health and social services grew from 8.7% of total employment to 10% (4.2 million new jobs). During the recent economic crisis, social services sector employment proved its stability and potential for job creation. The public administration sector, education and health/social services were the only sectors that maintained positive growth during 2008-2010. Nevertheless, concerns are rising about future losses of jobs in social services, as many member states face public spending cutbacks in order to reduce government deficits. What will be a challenge for the welfare state in the future is the rapidly ageing workforce in social services.

The future of employment in social services

The review of the literature and data available indicates that the factors which will influence development in social services in the near future are leading to an increase in demand for social services. However, it is not clear how this expansion would affect employment in social services, since refamilisation and recommodification may imply more provision of informal/family services, or provision by companies, or the private for profit sector outside the welfare state.

At the same time, the public sector deficit in several countries is likely to affect public expenditure on social services negatively. The processes of marketisation and trends toward a public-private mix are apparent in most social service sectors. However, this does not necessarily imply a more limited role, or the decreased responsibility of the state. Nevertheless, with the risk of the decline of public funding in social services, the 'social dualisation problem' may be envisaged in several respects:

- dualisation of access to social services and dualisation of the quality of the services with respect to different social classes/groups
- dualisation of employment creation potential in social services
- dualisation of employment profiles and job quality in social services with respect to different social services.

Generally, there is a growing concern to ensure sustainable financing as well as labour supply in social services, especially in care services and promoting the opportunities of employment in this sector for groups with low levels of employability. This means expanding job opportunities and attracting new employees to the sector from a variety of backgrounds (young graduates, disadvantaged groups, older workers, migrants and male workers) to raise the profile and professional status of the jobs in the sector and to create a more age-balanced workforce by attracting young people. This also presupposes establishing better working conditions, investing more in training and skills and developing lifelong learning and on-the-job training. Such changes would support informal carers, allow for the delivery of quality care, promote a user-oriented approach and influence the quality of care.

Reasons for having a welfare state in social services

There are several theoretical arguments for the welfare state's involvement in social services. They are often related to various aspects of market failure. The four central arguments are externalities, information asymmetries, agency problems and distributional concerns. Other arguments are related to natural monopolies and public goods. Another core issue is equality in access to the service (e.g. without public sector intervention many persons in particular areas would not have access to different types of welfare service.

Governance reforms in social services

With the above-mentioned pressure on the welfare state and the impact of globalisation, the boundaries between public and private provision of social services have become blurred in recent years. The public-private mix has been in constant transition. Nevertheless, social services have been, and presumably will be, financed from different sources (direct public provision or subsidies, the non-governmental sector, user fees, occupational welfare, private sponsorship and charity) and delivered by public as well as private for-profit and non-profit agencies. Although the processes of the marketisation of delivery have increased, the public sector is still central in the provision of social services. The role of the public sector in financing might continue, whereas direct service delivery may decrease.

The current governance reforms of the welfare states include several aspects, which can vary from country to country:

1) Decentralisation: political (where authority is given to lower levels), or administrative (where delivery responsibilities are only shifted to lower levels of government, often accompanied by tendencies to re-centralise in order to gain control or ensure equality in access).
2) Marketisation: sub-contracting, and competition in service provision, accompanied by splitting the roles of service purchaser and service provider, new public management – private sector management models and techniques can be applied in the public sector, as well as public-private cooperation and partnership.

Studies on the development of social services show that the trend towards marketisation and using market-type mechanism in the public sector have been apparent in social services since at least the 1990s, accompanied in some countries by a tendency to centralisation, and in others to devolution (Seeleib-Kaiser, 2008; Wollman & Marcou, 2010; van Berkel et al., 2011).

A key issue in the governance of social services is the quality standards in social services. The introduction of quality measurement systems and choice can have many positive effects:

1) empowerment of clients to find the most suitable services;
2) creation of a competitive atmosphere enabling encouraging innovations.

European countries apply different systems to ensure the quality of social services. In some countries (e.g. the UK), such systems evolve into particular standards, while other countries apply individual requirements. What good quality means can be difficult to measure, although in recent years there has been an increase in evaluations and studies measuring the evidence of different types of social interventions; nevertheless, there is still a gap in knowledge about quality in social service.

The development of governance in social services varies in different countries. When looking mainly at the four countries presented here, it is possible to observe the following specific features.

The Czech welfare regime exhibits a 'mixed profile' that includes conservative and universalist elements, while it is increasingly moving in a more liberal direction – not because of conscious steps, but rather through decay. Typical features include fragmented policy-making and service delivery. Since the 1990s, decentralisation and pluralisation have become major objectives driving the social policy agenda; with the exception of the health sector, responsibilities in providing and, in part, funding social services have increasingly shifted towards provincial and local levels. Nevertheless, public sector care clearly dominates in the formal provision of care in the Czech Republic – more than in most other European countries. In spite of a general trend towards strengthening the role of private actors and providing incentives for them, a broader welfare mix has developed rather modestly. One major source of these limitations is the often-cited relative weakness of civil society and third-sector organisations. The limited accessibility of public funding and the regulation of underlying funding regimes are major reasons for the limited degree of expansion and pluralisation of social services.

The Danish governance model can be described as having some specific principles: universalism, quality, affordability, strong public financing and accessibility. Over the last decade, fundamental changes have occurred in Denmark in social services, where decision-making structures have been reformed to become more consumer-oriented. A structural reform in 2007 continued the decentralisation tendencies in the delivery of social services, with hospitals being an exception.

Germany represents the ‘Christian Democratic’ welfare state that is characterised by strong a tradition of subsidiarity and corporatism. The development of social services has been overwhelmingly bottom-up, and the mixed economy of welfare is the result of local consensus-building rather than marketisation. The role of the voluntary sector has been and remains strong. In Germany, New Public Management has left its mark on funding procedures and inter-agency coordination. The public part of the funding of elderly services stems from a new scheme of long-term care insurance. Many non-governmental organisations are keen to develop ‘unique selling points’ and to invest in project marketing vis-a-vis public bodies. At the same time, delivery of social services, such as day care, has increased thereby reducing the disparity among the four countries.

The UK (especially England) represents the so-called ‘liberal welfare state’, which is characterised by great centralisation and, since the 1980s, reliance on marketisation; however, there has also been some devolution leading to different types of development and steering in Scotland, Wales, Northern Ireland and England. New forms of governance, such as partnerships, have followed different reform patterns, including ‘the third way’. In some respects the system can be characterised as a ‘residual’ or ‘safety-net’ that only supports those with very severe needs who are unable to meet the costs of their care. This system has evolved incrementally from earlier systems of welfare for the poor; however, recent years have also seen a development in the UK with more focus on daycare for children in line with EU employment strategy.

The overall continuity in the governance of welfare services confirms the assumption that the post-war governance regimes of these countries have differed in their basic societal organisation, although tendencies towards convergence have been evident, despite the differences in organisational structures and ways of financing the welfare state.

Social innovation

Social innovation can have an important impact on social services. The following aspects of social innovation are central from this perspective:

1) that they meet social needs
2) that they enhance society's capacity to act and empower/activate people and increase their capabilities (Hubert et al., 2010)

In recent years, social innovations have been generated mainly by social entrepreneurs and grassroots organisations; nevertheless, a recent trend is the role played by the public sector, not only in supporting social innovation, but in implementing new internal participatory processes that change the way in which actors interact, thereby building innovation into their governmental structures and economies. The social economy is one of the most rapid growth areas (employing about 6% of the working population of the EU) where innovative solutions are being developed, including social care.

Trends in financing social services

In many European countries, a very large part of public financing comes from taxes and duty; in the wake of the crisis, there have been many changes in the tax systems.
Lower income tax on companies has been part of a trend in Europe which might be seen in light of tax competition among countries, a competition which might reduce the ability to have sustainable financing. The splitting of tax towards a more dual tax system – between the taxing of income and capital (with lower tax on capital) can be seen as part of the development.

Consequently, there seems to be an increasing trend of expanding user fees in social services.

There are several reasons for implementing user fees:

a) they raise revenue
b) they can regulate demand
c) they can improve allocation efficiency
d) they help prevent abuse

The main problem concerning user fees is that people can decide not to use public services if they have to pay a fee; this can imply, especially in the field of health care, that the demand for them is too low. Thus the 'dualism' in service provision may increase with some groups of consumers, while some sectors of social services lag behind, creating emerging gaps in access to services and employment in social services.

A central issue regarding the future is how to ensure a sustainable way of financing the welfare state, including the use of the tax system to promote overall economic growth and development based on a sustainability approach (in both economic and environmental terms).

Other aspects of employment development in social services

Four consequences of development of social services are important:

1) consequences for the employment level in social services

2) consequences for the characteristics of workers and employees in social services and the public sector
3) consequences for the quality of employment opportunities (job quality) in social services and public sector
4) impacts on the individual actors - public and private institutions; accessibility and quality of services

A long-term problem of employment in social services is the sufficient supply of labour in the sector given the demographic changes. The educational and qualification level of employees, their age and gender structure and the overall labour supply available all represent a challenge. Similarly, the quality of jobs is at stake, as characterised by the type of labour contract, working hours, wages and staff turnover.

Financial pressures and some management practices often result in the lowering of the number of employees in social services and the public sector.

Spending of social services

As a general rule, development using % of GDP has been used despite the fact that this measurement can be criticised for not reflecting:

- real change in the level of spending
- spending per user of the system
- new needs arising, or old needs having less need for coverage
- may change due to change in GDP – both in upward and downward directions.

It is important to go into detail on expenditures in social services of various types, both public and private. In this respect, we can use two of the most promising databases which make it possible to find data on cash social expenditure and on in kind expenditure (these in fact are the best indicators of expenditure in social services).

The financial crisis has had a profound effect on the public sector deficit and level of debt in most countries, thereby increasing the pressure on the welfare state. Naturally, a deficit arising only due to rapid changes in economic activity is from a sustainability point of view less a problem than the more structural deficits in public sector budgets.

More specifically, in relation to care for the elderly, which is highly labour-intensive and where expenditure is expected to grow due to demographic transitions, countries have a variety of options for organising and financing long-term care. Governments here have the option to support either in cash or service, or a mix of both. Most OECD countries have collectively financed schemes for personal and nursing care costs – through the tax system (as in the Nordic countries), or, through collective insurance (as in Germany). In the UK there is a means-tested system for long-term care costs (with the exception of Scotland, which has a universal system). The Czech Republic has a mixed system where private insurance seems to be a niche market.

Naturally, having a universal system, as the trend is, does not in itself tell as about the size, debt and breadth of the services delivered. A clear issue in all countries is the balance between private care (mainly family) and the state's role; if the family's role is reduced (e.g. to the extent that the employment rate increases, especially for women), this can imply pressure on public sector spending.

The specification of further research

Further research will follow the outlined research questions as well as explore the data as outlined in the Methodology from March 2010 and specified in the relevant part of this report.

At the same time, based on this state of the art report, the following key hypotheses will be analysed.

Hypotheses

Employment in social services can be an important source of job opportunities, as well as a source of sustainable growth for the economy and job quality. Two aspects are crucial in this respect:

1) There are factors in place that may imply an overall shift of employment towards services and social services – like externalities that are positive for the sustainable growth emerging from social services.

A central question is whether this trend will prevail under the conditions of the recent economic crisis. This will depend on the commitment for long-term social investments.

2) Even if this strategy were not prioritised, the factors are in place due to the ageing of society and changing employment structures which imply a growing demand for social services (health care and long-term care due to ageing, employment services, life-long training and child care).

Responsive governance to the above demands presupposes diversity in service supply and service delivery (public-private mix, marketisation, decentralisation, networking, new public management); however, if the area of social services responds to the various expectations, two conditions would be fulfilled: first, sufficient regulation by public authority (including the setting of adequate standards of services) and, second, sufficient public financing; a third, (less important, but highly relevant point) relates to who the service providers are and what the forms of public support are.

If the first two conditions above are not met, the danger at stake is market failure (due to insufficient information, monopolies and other), as well as public governance failures (due to neglect of public goods and/or the lack of protection of the vulnerable). In such a case, the dualisation in social service provision, in the labour market for social services and in social service consumption would emerge with negative consequences for employment in social services both in quantitative as well as qualitative terms.

Analysis

The analysis which will follow in the Final Report will focus on the developments in social services with respect to the above hypotheses. The empirical evidence will be collected in the following steps:

A. Aggregate information will be compiled (from Eurostat) on the development of employment and financing (absolute figures, percentage of all employment or of overall expenditure on the welfare state, and change in percentage points during 2000-2005-2010); the changes of employment structures in health and social services – divided by gender, age, education; and the structure of financing (expenditure in specific fields of social services) (e.g. a quantitative analysis, based on aggregate data by Eurostat).

B. Information will be compiled on employment levels and structures (and their changes during 2000-2010), on the level, structure and change in financing social services (expenditure and sources of financing including user fees); governance structures and mechanisms will be examined:

- in selected fields of social services: long-term care, child care, employment services
- in four selected countries (Czech Republic, Denmark, Germany, United Kingdom)

Quantitative and qualitative analysis based on aggregate data by Eurostat and in some respects individual data by Labour Force Survey will be used to evaluate four countries as well as national statistical data, mainly with a focus on the structures of employment in social services and their change.

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About NEUJOBS

"Creating and adapting jobs in Europe in the context of a socio-ecological transition"

NEUJOBS is a research project financed by the European Commission under the 7th Framework Programme. Its objective is to analyse likely future developments in the European labour market(s), in view of four major transitions that will impact employment - particularly certain sectors of the labour force and the economy - and European societies in general. What are these transitions? The first is the **socio-ecological transition:** a comprehensive change in the patterns of social organisation and culture, production and consumption that will drive humanity beyond the current industrial model towards a more sustainable future. The second is the **societal transition,** produced by a combination of population ageing, low fertility rates, changing family structures, urbanisation and growing female employment. The third transition concerns **new territorial dynamics** and the balance between agglomeration and dispersion forces. The fourth is **a skills (upgrading)** transition and and its likely consequences for employment and (in)equality.

Research Areas

NEUJOBS consists of 23 work packages organised in six groups:

- **Group 1** provides a conceptualisation of the **socio-ecological transition** that constitutes the basis for the other work-packages.
- **Group 2** considers in detail the main drivers for change and the resulting relevant policies. Regarding the drivers we analyse the discourse on **job quality**, **education**al needs, changes in the organisation of production and in the employment structure. Regarding relevant policies, research in this group assesses the impact of changes in **family composition**, the effect of **labour relations** and the issue of financing transition in an era of budget constraints. The regional dimension is taken into account, also in relation to **migration** flows.
- **Group 3** models economic and employment development on the basis of the inputs provided in the previous work packages.
- **Group 4** examines possible employment trends in key sectors of the economy in the light of the transition processes: energy, health care and goods/services for the **ageing** population, **care services**, housing and transport.
- **Group 5** focuses on impact groups, namely those vital for employment growth in the EU: **women**, the **elderly**, immigrants and **Roma**.
- **Group 6** is composed of transversal work packages: implications NEUJOBS findings for EU policy-making, dissemination, management and coordination.

For more information, visit: www.neujobs.eu

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