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The match between public and private in the Netherlands: contest, cooperation or both?¹

Prelude

- In this text, the word 'match' is used in the double meaning of the word: contest and coalition!
- The Netherlands: this presentation is based on the history of social welfare and health in the Netherlands. The description of developments and the assessment of the actual situation present my personal opinion.
- Be aware of differences between The Netherlands and Finland concerning responsibilities and roles of local government and NGOs.
- It's up to the audience to select the lessons from this presentation. What is a good suggestion to think about and which are the warnings? Match!

Historical overview of the playing-field

- Citizens and civil society *avant la lettre*
- NGOs all over
- Central government, central indeed
- Local government, authority in development

In the passed centuries, people in my country have been taking up responsibility for the wellbeing of their family, neighbourhood and local society, mainly for reasons of charity and self interest. Many NGOs covered a broad range of social aspects of society: such as hospitals, home nursing, social work, orphanages, social housing, and social banking. Employers took care for their employees. Churches played an important role in organizing solidarity. Later on, also trade unions did. So, a civil society was present before the expression civil society was even invented.

Central government was reluctant to interfere because of the 19th century liberalism and the principle of subsidiarity. Local government undertook collective provisions, such as sanitation, sewerage, public health, public utilities and complementary activities such a municipal hospital for non-religious groups, as the Roman-Catholics and the Protestants had their own hospitals.

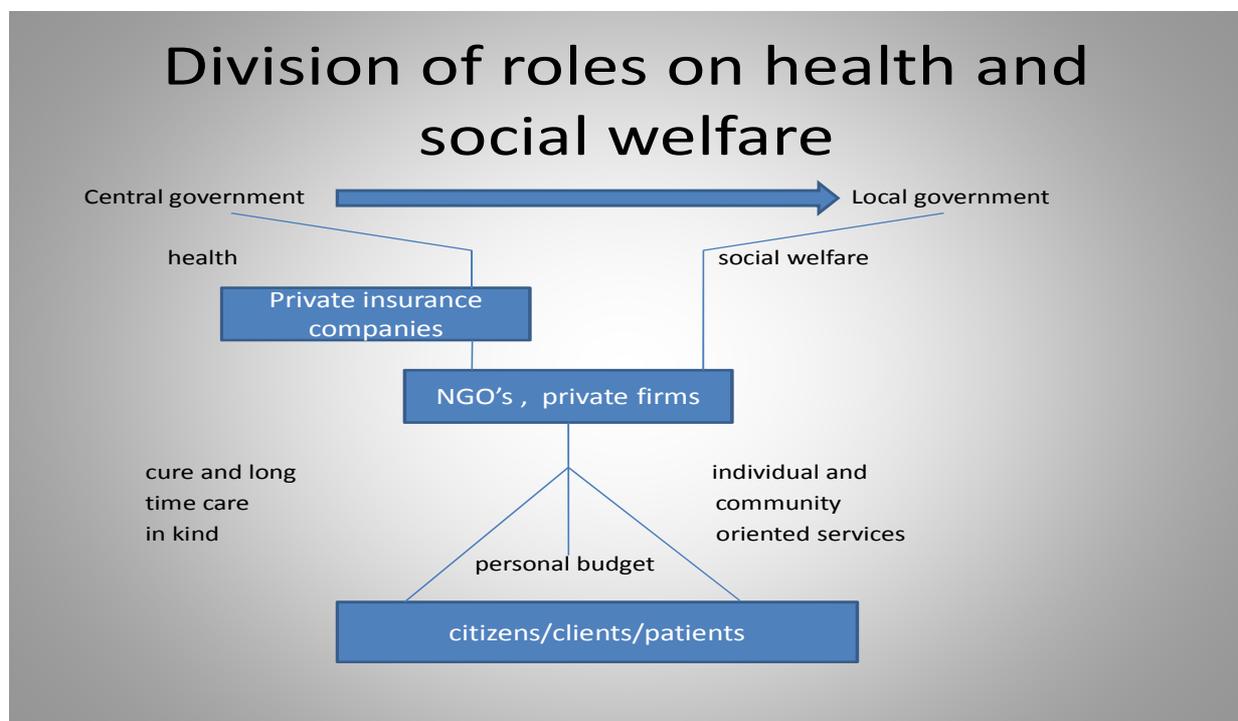
In the beginning of the 20th century the role of central government became more prominent. Central government took up responsibility for health by adopting national insurance schemes. NGOs, heirs of the former civil society, got certificated and received financial support to deliver health services under these schemes. Social welfare became more and more important. Particularly after the Second World War, central government started to license and subsidize local NGOs, simultaneously

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introducing quality standards. Until the Seventies of the last century, central government dominated social welfare at local level. In the Eighties social welfare has been de-centralized. Also social welfare has been implemented by NGOs, under authority of municipalities and paid from their budgets.

So characteristic for the Dutch situation is now the implementation of both health- and social welfare services by private, non-governmental organizations and institutions. These services could be qualified as public services, because of legislation, financing and quality obligations but more accurately, the social welfare literature sees these NGOs more as 'quasi-autonomous NGOs, or QUANGOs. This presentation is not dealing with NGOs which are defined as Not anymore longer Governmental Organizations and are considered to be QUANGOs too.

Division of roles on health and social welfare



Explanation

Health: cure and care as defined in the Health Insurance Act (ZvW) and long term care as defined in the Exceptional Medical Expenses Act (AWBZ). The ZvW covers basic medical care such as GP, hospital cure and care, mental care and medicines. Private insurance companies are on behalf of central government negotiating and contract health NGOs, hospitals, private doctors and other health service providers to deliver these basic services. The collectively insured rights ex ZvW can be supplemented by voluntarily insurances if so wished. Insurance companies compete with each other in order to contract clients and their competition is concentrated on these supplementary arrangements. The AWBZ covers seven functions, as they are called: personal care, nursing, supportive guidance, activity-guidance, short stay away from home, treatment and residence. Under AWBZ, the intermediate authority between central government and NGOs/private firms is the regional Care Liaison

Office. In practice this liaison function is executed by a private health insurance company in a region on behalf of central government.

Social welfare: traditionally municipalities decide on the kind of services and the level. Examples : all kind of activities for children and youth, non-residential care for the elderly, neighbourhood centres, household care, promotion and support of voluntary work, integration of asylumseekers, social work, services for homeless people and for addicts, support and guidance of the unemployed.

NGOs: private organizations and private persons contracted by central government/private health insurance companies and local authorities to deliver services.

Three kinds of services: citizens have insured rights based on healthlegislation ZvW and AWBZ and they may solicit support from their municipalities for social welfare. As to some long-term care services under AWBZ, one has the legal right to opt for a personal budget. This is the case for the functions personal care, nursing, supportive guidance, activity guidance and short stay away from home. At local level one may apply at the municipality for a personal budget in case of aids, adaptation to the home and – under certain restrictions – transport facilities for people with a disability, and in case of household care.

Please note the line from central government to local government. Municipalities are nowadays acting on social welfare according to the Social Support Act 2007. This Act prescribes more duties for municipalities than before.

Until so far the general description of the Dutch health- and social welfare system; now I would like to continue by type-casting the players in the playing-field as they have been performing during the last decade up until the actual situation. The players are Central government, Municipalities, NGOs and the Citizens. But before that I will describe some general political trends.

Political trends

- Emphasis on individual responsibility
- Restoration of civil society
- More market
- Fascination for accountability

Each of the four players has their own track record over the last 5-10 years. To understand the interaction among these players it is needed to have an appreciation of the political trends that were at play at the same time.

The ruling ideology of collective arrangements based on the principle of solidarity is slowly being replaced by the ideology of personal responsibility. The introduction and popularity of the personal budget fits in this development. State, government in general, is supposed to retreat. People are capable and rich enough to manage things by themselves. Not only individuals are claiming and getting more and more responsibility, also NGOs are – again - praised for being the ultimate expression of civil society. Recently, leading spokespersons on this kind of issues have been however urgently inviting groups of people to re-animate the real civic society, as some traditional NGOs can't be longer appreciated as providing effective answers to the needs of people.

At the same time, there is a strong belief in the market. The slogan is: too much bureaucracy, inefficient public enterprises, overload from governmental power, “the market is the solution”. This way of thinking is not only inspired by certain political ideologies, but also pressed by NGOs. In a situation that more and more services are not any longer collectively organized, but free to choose by citizens, there is a market growing and NGOs and other providers try to catch their part of the market.

A strong impulse for NGOs to claim more independence from state and municipalities, in spite of their financial dependency, is the bureaucratic burden because of the mandatory accountability. Accountability and transparency are not in discussion as such, but too much paperwork is considered not-business-like and maybe even sometimes contra productive. An example: hospitals are financed per, so called, DBCs (Diagnosis Treatment Combinations). There are 30.000 of these DBCs defined. Splitting up the practiced diagnosis and treatment per patient into the respective medical activities as defined in the DBC system is often a matter of puzzling and takes a lot of time. The tariff for a DBC is calculated as the average of the costs in all hospitals. If the real costs in a certain hospital for a certain DBC are lower than the tariff, then it is profitable to deliver this DBC. It is understandable that hospitals are not eager to deliver DBCs for which they get too less money.

When we speak about introducing the market in hospital care, then we mean that successively the price of more DBCs has become the result of negotiations between the health insurance companies and the hospitals. Nowadays for 30 % of the DBCs the price is negotiable.

Another example: Municipalities are already for a long time developing systems for the calculation at the beginning and the account afterwards from the budgets they provide to social welfare NGOs. All varieties of paying for welfare services executed by NGOs have been applied and still are applied. For the insiders the formulas for input, throughput, output and outcome are familiar. The NGOs in social welfare are maybe nowadays more or less accustomed to the outcome approach for which they had to formulate their products and to calculate the price of each product. This made it possible for municipalities to decide how many products were ordered for and to look afterwards how many have been delivered. The newest trend is the outcome approach. A political decision in a municipality is formulated as such: within 3 years we would like 50 % fewer drug addicts in our community, or : in 4 years 25 % fewer drop-outs from school. NGOs are requested to make offers for the municipality on how they think this goal can be reached, what kind of activities are needed for the success and what the costs are for such a program. So a new kind of debate between municipalities and NGOs on accountability has started.

Is accountability appropriate? Yes. Have we found already a reasonable, practical way? Not yet.

Central government

- Rising expenditure on health
- More responsibility for citizens
- More responsibility for municipalities

Governments are entitled to decide the scale and the manner by which entitlements and duties are realized in society. Thus such decisions as to whether there should be more or less health services taking care for by the state, entitlements based on insured rights or just the possibility to require for a service, financing through premiums or through public budgets, centrally- or locally-made provisions are at the discretion of governments. In times of rising costs – as is the case in the Netherlands – there is a special reason to look over this range of possible choices in decision-making.

For well known reasons –people getting older, medical-technological progress, higher demands - health costs are rising, both on the Health Insurance Act *ZvW* which covers the basic health services, as on the Exceptional Medical Expenses Act *AWBZ*. One of the explanations of rising exceptional costs is the personal budget. The premiums which a Dutch citizen has to pay turn out to become a too high percentage of the gross income of too many people. So, all kind of alternatives are now under consideration.

There will be a restriction of the entitled insurance rights from *AWBZ*. This means a loss of rights for the citizens concerned. They are supposed to find a solution themselves, in order to demonstrate their willingness to take more personal responsibility. Maybe it is not realistic to expect people to find a solution and more probable that they will ask help from the municipality. Sometimes the municipalities get extra money from state to cover extra expenditures. This happens when the activities can be designated as new for municipalities. But sometimes this type of activities is quite near to social welfare and social support for which municipalities are already responsible. In those cases, the state is not very eager to provide supplementary means. Municipalities are being confronted with new tasks or expansion of already existing tasks. They are expected to meet these needs in a cheaper way than central government did before. As a result, municipalities may contract NGOs or other private providers to deliver services.

It is now up to citizens to substitute the loss of insured rights by one personal solution or another. One of the solutions could be spending money for the services of a private service provider, or getting private insured at the conditions of a private insurance company.

So from the point of view of NGOs and firms offering services in the market, one thing is for sure: the state expenses are lowered and probably the need for services will appear at the level of municipalities and private persons, under other conditions than the state regulated demand for services before. This creates new chances for new enterprises and new offers in the market.

Municipalities

- The first level of government, cohesive policy please
- The scale of municipalities and NGOs
- Cooperation and competition
- Quality of outsourcing

Looking back, the conclusion can be drawn that the decentralization of social welfare in the Eighties of last century founded the principal role of municipalities on social welfare. This transfer of responsibility from central to local stimulated municipalities to shape their local social welfare and care-related services for young and old, for people with disabilities and refugees, for leisure and unemployment. Since then, more responsibilities have been left for municipalities and decentralized. In combination with physical planning, education, housing, employment and environment the need for coordination became urgent. The municipality is considered and accepted as the natural coordinator. No doubt about that. But it is not easy to play this role. On one hand the municipality has for certain domains legal responsibility and/or is paying, but for others the municipality has no decision power. So, coordination is mostly a complicated process of consultation and negotiation. Some NGOs have to accept the municipal points of view at the end, other NGOs, firms and institutions just have to be convinced.

The conviction grows that, due to the increased responsibilities, municipalities have got and will get to merge more and more, or, at least, closer cooperation is inevitable. The general impression is that a minimum of 50 to 60.000 inhabitants is required for a Dutch municipality to be sure of sufficient power and quality. There are nowadays 443 municipalities in the Netherlands, in 1999 still 538 and in 1936 1064. The actual amount of inhabitants is more than 16 million people.

NGOs have been merging already since a long time. Started as local organizations, they cover now whole regions and even offer their services in other parts of the country. A disadvantage of merging and expanding NGOs for municipalities is the standardization of products by these NGOs. Special local oriented services are more difficult to obtain. The mergers of NGOs have urged the municipalities to cooperate more to be stronger players. By the way, standardization of services helps bridging the sometimes unexplainable differences in services for people living near to each other but in fact being inhabitants of two different municipalities!

Undeniably, the relation between municipalities and NGOs has become more business like. It doesn't mean that everywhere and in all kind of situations the right balance already is practiced. One can see that in general on community oriented social welfare municipalities and NGOs are more cooperatively dealing with each other, such as to neighbourhood centers, consulting hours for parents, information points for youngsters and social work at schools. In case of contracting for individual services, municipalities choose more for organizing competition, for instance by a public tender, such as related to home-help services, wheelchairs, individual trajects for the unemployed.

The organization of a public tender for this kind of services is quite a new experience for municipalities. European regulations are not always that clear, but the Dutch government is making it sometimes even more complicated. Expertise is needed. For

many NGOs participation in a public tender is also new indeed. Quite a few homehelp NGOs got rid of contracts ex AWBZ at the time municipalities tendered for household care, which has been transferred from AWBZ to municipal responsibility.

Non-governmental organizations

- Mega organizations by multiple mergers and alliances
- Managers rule the professionals and volunteers
- Diversity of sources of income
- Social firm is more businesslike than NGO

As stated earlier, NGOs have been merging. To a certain extent that is understandable and acceptable. Originated at local level, many NGOs were too small indeed for keeping up a good professional standard for professionals and management. The first wave of merging took place in the Seventies when the same type of work as implemented by the NGOs of the three denominations merged, especially in the areas of social work, homehelp, home nursing and social-cultural work. In a following round, these merged NGOs merged on their turn with neighbouring colleague-organizations to enlarge the scale of the working area. The third trend is the merger of NGOs with different types of work. This makes it possible to coordinate activities within one organization and to offer a coordinated approach in negotiations and public tenders. But the risks of this type of mergers are more bureaucracy, falsification of competition and the truck-system. The new managers are not always satisfied about the professionalism of representatives of government. Especially managers in health blame the lack of health experience at insurance companies, which are contracting service providers on behalf of central government.

Improvement of management in the sector social welfare and health was needed. But the general impression nowadays is that there are too many managers and that these managers are overwhelming the professional care worker, who is responsible for delivery of the needed services to groups of people and individuals. In public debates a strong emphasis is put on the importance of professionals acting more on the foreground. Implicitly the message is: managers, please move behind the curtains. The conviction is that more room for professionals will be in advantage of the clients.

In the meantime the managers have brought about a diversification of income sources. The market has changed. There is a de-collectivization taking place of public services, more individual spending, transfers of responsibility for certain services from central to local government, and a considerable growth of personal budgets. At the same time more and more NGOs are not longer anymore depending on income from public authorities, but they earn also money from the free market. In business terms and for sure also in psychological categories, NGOs and their managers feel more independent. And they act like that. It is, therefore, not accidental, that NGOs prefer to qualify themselves as 'social firms'. They look after the approaches and practices of their colleagues in real business. The actual criticism on the salaries of directors of social welfare, health and social housing corporations is an understandable reaction.

NGOs have a much stronger position than before. They became MANGOs, more autonomous NGOs, as I already concluded in 2005.

Citizens

- More variety in preference, income and aspirations
- Government and NGOs are playing the match
- Citizens at the tribune
- Every four year citizens choose the winner of the match

Citizens are not a homogeneous group. Much more than in the past, citizens have their individual opinions and expectations. Citizens are also much more able to formulate their wishes and are much more motivated to complaint in case of dissatisfaction. So, for government and NGOs, it has become more difficult to satisfy the citizen c.q. client. Citizens/clients are trying to exercise influence, but it is difficult to interfere in disputes between government and the provider about the servicelevel.

The same is happening in a situation of restricting services, reducing expenditure, higher retributions or change of service provider. Citizens/clients may just observe how central and local governments are dealing with each other under changing circumstances. For a limited amount of services, citizens/clients have a way out to take initiative themselves, by choosing for a personal budget.

The match is being played by government and NGOs. Citizens are watching from the tribune. Every four year they may choose the winner of the match. Clients and their relatives may be more frequently involved in the realization of the adequate match between needs and needed services.

NGO between government and citizen

- In the past : QUANGO, quasi autonomous
- Last decade : MANGO, more autonomous
- Actual situation : TANGO, too autonomous

The QUANGO and MANGO are earlier explained. Because of the unbalance between government and NGOs at the moment, for the time being the qualification TANGO is applicable. Both government and NGOs are seriously committed to the interests of the citizen/client/patient. Government is looking off course for the appropriate lead up to the NGOs for the interest of the citizen, but not yet successful in finding the right formula. And NGOs emphasize that the market is a preferred guarantee to meet the needs of the people, but don't appreciate too much interference from government. Both parties are still playing a match with each other.

The actual stance of the match shows that too strong NGOs are too strong with the consequence of too weak a government, weak in the sense that government is at the same time safeguarding public interest and a supporter of more civil society and more market and not choosing really. Therefore, I would like to introduce now in 2008 the qualification TANGO, too autonomous NGOs. For the time being.

Requirements for a NGO

- Responsibility : public tasks
- Responsiveness : open mind for the needs
- Accountability : transparency, effectiveness and efficiency

Both government and NGOs are aware of the actual unbalance. On both sides studies are made and suggestions presented how to define the specific situation of NGOs which are executing public tasks.

A short review of main issues:

Because of execution of public tasks a public-proof NGO is vested with a special responsibility. Government has the intention to add wellbeing to the quality of people's lives and of society. A NGO, hired to act on behalf of government, is therefore to distinguish from a commercial enterprise, which just sells products. Government values an equal treatment of all citizens, so the NGO has the responsibility to serve all people who are indicated to be served, without any selection. Profits have to be spent on comparable public goals and are not paid out to shareholders. Public-proof NGOs are accepting public control because of the public responsibility they have and government is controlling on a practical, not to complicated way.

Responsibility is one leading principle, responsiveness is another one. It means that a NGO is supposed to pay adequate attention to the specific needs of individual clients and groups of people. Specific wishes, special circumstances, complaints have to be observed and taken into account. The way a NGO is organized must permit professionals to take their own responsibility. The open mind for what the clientele expects and what the needs of people are, makes it also possible for NGOs to share these experiences with government in preparation of policy and allocation of finances. Government has to listen and to take into account these experiences.

The obliged accountability of a NGO – the third leading principle – has an inside and an outside concern. Outside must be clear and transparent what the NGO is doing, what the financial situation is and how effective and efficient the organization is working. Inside is moreover important the system and the practice of the governance. A NGO has to build in a division of responsibilities within the organization between the operational level and the level of the supervisory board. The supervisory board may be expected to act on behalf of the outside world. In the ideal situation this would mean that government has to supervise less to the degree the supervisory board of the NGO is functioning better.

A recent study has been reports that representatives from ministries and NGOs in the domains of housing, health and education have the opinion that in their sector the desired balance between public and private is not yet achieved.

Match?

- The market is imperfect, off course
- Health is striving for more market
- Social welfare is more oriented on cooperation and tuning
- May the citizen be the winner of the match

The use of the word market is misleading and confusing. According to Adam Smith there is no market existing at all in reality. In the public – private debate on health and social welfare it is just a matter of a little bit more or a little bit less operating according to some market principles. The main issue is that in terms of government the offer is defined and hopefully is the offer as it is defined the right answer to the demand. Crucial is the flexibility of both local and central government and NGOs in contracting on service delivery and the personalized delivery of services by a reliable and transparent NGO. That's the only way to be assured that the citizen will be the winner of the match.

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