

Lyon 2006 - Background papers and conclusions

EIN Summer University and European Ideas Fair

21 - 23 September 2006

EIN POLICY ROUNDTABLE

Reform of Public Services

Background



Since first meeting in 2002, the EIN working group on the Reform of Public Services has examined different ways that such services are delivered across the European Union. In comparing and contrasting the approaches in various member states, it seeks to identify ways to improve policy design. Over the last few years, the focus has shifted from the dynamics of privatisation of public services towards how to meet public expectations and public policy goals through market liberalisation, with the winning of public consent as a key political objective.

Both the social dimension of economic services and the economic dimension of social services need to be considered, since consumers want policies based on 'equity' and 'quality'. During EIN summer universities, the working group has emphasised that financing needs to be separated from production - with strong, independent national regulatory authorities enforcing clear standards. Contrary to much conventional thinking, it has concluded that the more important the sector is for society, the greater the case for liberalisation.

By analysing different models, the EIN has identified a number of issues which underpin the reform process. Overall, the EU should set out general guiding principles to improve the quality of public-service provision in member states. Although a single model for all jurisdictions and sectors is not feasible, policy guidelines that can accommodate the diverse nature of public services across countries are necessary. Europe's natural diversity can offer a variety of policy choices within a common framework. Regulation should be minimal and, if there is no clear case for EU involvement, the Union should not act. Setting detailed objectives, structures and mechanisms for the delivery of public services should remain the competence of member states.

More evidence about the benefits of increasing choice in public-service provision, through initiatives such as voucher systems, needs to be collected and presented in an accessible way. Public information and transparency are essential prerequisites for any liberalised market, offering greater consumer choice, to be seen to work properly by the public.



At the EIN summer university in Lisbon (2005), participants assessed the principles and mechanisms applicable across public services that are best able to meet the public demand for quality, access and equitable pricing, whilst delivering both economic efficiencies and the social objectives of any given service. The working

group concluded that success seems to depend on a legislative framework providing for competition, transparency and minimum standards, while clarifying social objectives - such as universal service and equitable access.

In June 2006, the roundtable met in Brussels to discuss EU policy towards 'services of general interest'. It heard that the Commission prefers to maintain a sectoral approach in this area and to focus on enforcing existing rights and obligations, rather than extending them, and emphasised that social services should not be exempted per se from the four EU treaty freedoms.

Conclusions of Lyon discussion

As in previous meetings, participants generally agreed that public service policies are at the heart of all national and local electoral politics. But while the problems may be similar, public attitudes toward public services, and therefore the limits of public acceptance of change, are today very different across Europe, reflecting both different historical starting points and recent experience with local solutions.

The electoral victory of the Swedish centre-right earlier in the month shows the power of demonstrable increased individual welfare benefits from the introduction of dynamic competition based on consumer choice between public and private service suppliers, notably in education. This is the fruit of years of patient work, not ephemeral electoral promises. Such competition has driven constant and measurable improvement in the quality of services as all suppliers learn from each other's successes and failures.

Slovakia's centre-right governments had to administer shock treatment over the past decade, from 100% to 10% state ownership of public services. This also involved the introduction of flat taxes on the income side, and limiting demand for the most costly services, notably health care and pensions. The recent victory of the Social Democrats should not be read as complete rejection of these policies, although the extent of individual co-payment for healthcare was clearly difficult. The centre-right maintained 40% support in elections two months ago.



Despite a long history of mixed financing and ownership of large infrastructure, France has relapsed over the past 20 years toward a public-only public and political perception toward certain services, notably education and health. Freedom of consumer choice is not a strong motivation for change. Much resistance also comes from public sector employees, for whom the state can no longer afford to grandfather existing privileges that are no longer affordable.

Despite the preoccupation of Europe's citizens and national and local politicians with the quality, availability and affordability of health care, education, social welfare and pensions, Europe is virtually absent from solutions in

these sectors. Added-value from Europe could include: i) cross-border access to healthcare services, thereby extending choice and availability; and ii) the extension of mutual recognition and the right of establishment to these sectors, rather than a doomed strategy of harmonisation.

The following key questions and issues also emerged from discussion:

- Demand for social services will always exceed supply, which will always exceed available public financing. The problem is to bring these into acceptable balance.
- Defeating public-sector employee resistance to change remains difficult; a combination of grandfathering of privileges and the prospect of improved conditions may be effective.
- At local level, there is no short-cut to establishing clear deliverables and quality criteria, first to make clear what specific services the public are being offered, and second to hold suppliers to delivery. This requires investment and skills that local authorities are often lacking. Electoral promises in the absence of this homework are dangerous. Shared best practice and experience is therefore essential.
- The imposition of universal service obligations on public service suppliers is clearly appealing from a political point of view, but it can lead to regulatory recapture of a sector through creeping political pressure on the regulatory mechanisms. Applying market mechanisms to social services therefore requires more specific definition of public service objectives.
- Opinion polling cannot be used to predict revolutions or design policies, but they do show existing boundaries and expectation.

Finally, participants agreed that the real political job is winning acceptance for change. Success or failure then depends on managing and maintaining support for the transition. In this light, the working group stresses the need for careful identification and analysis of best practice and experience across Europe, which can provide an invaluable shared resource for the centre-right parties.