

# **Central-local tensions in care policy marketization: The role of welfare culture and governance structures for local differences in care policy implementation in Germany**

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## **Abstract**

The implementation of policy reforms of the central welfare state may vary at the local level. This article aims to explain local differences in the implementation of policy reforms that promote the marketization of long-term care. According to a common assumption, economic, demographic and political factors such as the political orientation of the governing parties explain local variation. We argue that differences in welfare cultures and local governance structures of long-term care contribute to explaining the variation of long-term care marketization at local level. A comparison of West and East Germany is particularly well suited for this study, since both regions differ in their traditions with regard to welfare culture and local governance structures. Based on a comparative case study of four middle-sized cities in West and East Germany, the article highlights the relevance of local welfare cultures and local governance structures as explanatory factors.

## **Keywords:**

Culture, local social policy, governance; long-term care; marketization

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## 1. Introduction

As a reaction to the challenges of the aging of population, many welfare states in Europe have been considerably expanding financial support and public provisions in the field of long-term care for older people (*LTC*) since the 1990s (Ranci and Pavolini, 2013). This restructuring of the societal organisation of care work has overlapped with another major change in European welfare states: the strengthening of market principles in the organisation of the welfare service provisions (Hay and Rosamond, 2002; Kus, 2006; Taylor-Gooby 1999). This change has also strongly influenced the way welfare-state policies on care for older people have been restructured (Anttonen and Häikiö, 2011; Bode, 2012; Eichler and Pfau-Effinger, 2009; Ranci and Pavolini, 2013; Rostgaard, 2006; Rummery, 2009; Theobald, 2015; Vabø, 2006; Puthenparambil et al. 2015).

In the academic debate on the restructuring of welfare-state policies on the basis of the marketisation of *LTC*, the national welfare-state policies has been the primary focus, while the number of comparative analyses of marketisation in the context of local social policies remain limited. This apparent lack of interest may be because it is a common assumption that policy-making at the local level reflects the national welfare state policies towards *LTC*. Contrary to this assumption, some scholars have indicated that local governments are particularly important for the organisation of care provision (Bureau and Kröger, 2004; Evers and Klie, 1999; Kazepov, 2010; Schmidt and Klie, 1998; Trydegård and Thorslund, 2001, 2010). However, comparative studies analysing the local level mainly focus on the local structures of *LTC* and the welfare mix (e.g. Bureau and Kröger, 2004; Jensen & Lolle, 2013; Puthenparambil et al, 2015; Trydegård and Thorslund, 2001, 2010). Comparative local analyses of that explore differences in the degree to which local social policies push forward the marketisation of *LTC* are rare.

This study offers a new approach to the explanation of differences in local policies towards the marketisation of *LTC*. According to the main assumptions, differences in the cultural value-orientations of the main political actors about the ‘ideal’ ways of organising *LTC* are relevant when explaining the policy differences, along with differences in the governance structures of *LTC* in the municipalities. In addition, we also discuss the role of the availability of financial resources for local social policy, the demographic structure of the population and the political orientation of the governing political parties for the explanation.

The paper evaluates the main assumptions based on a comparative case study that analyses and explains differences in *LTC* policy marketisation on the basis of policy instruments used for marketization in four middle-sized cities in Germany. It uses analysis of legal documents, in-depth document analyses, expert interviews and 28 semi-structured, theme-centred interviews with relevant actors in local social policy on *LTC*.

Part 2 discusses the state of research in this field. Part 3 introduces the theoretical framework for the explanation of the differences in the degree to which care marketization is pushed forward by local care policies and part 4 explains the study's methodological approach. Part 5 shows how far in the context of this legislation municipalities have the possibility to decide about the degree to which they push forward the marketization of *LTC* at the level of local social policies. It also presents the *differences in the degree of marketisation* in local policies towards *LTC* policies found among the four municipalities, and it explores the roles of culture, local governance structures, the availability of financial resources, the demographic structure of the population, and the political orientation of the governing political parties for the explanation. The paper ends with a conclusion in part 7.

## **2. Literature overview**

For long, the welfare state was considered an institution aiming to restrict the potential of markets to create social risks and exclusion and to organise social solidarity (Esping-Andersen 1990; Dallinger, 2009). However, since the 1990s, many welfare states have been re-structured on the basis of principles of marketisation (e.g. Bode 2008, Gingrich 2011, Klenk and Pavolini 2015). Several authors stress that the increasing popularity of neo-liberal values in the discourses on the welfare state since the early 1990s was an important precondition of the major role market principles have played in welfare-state reforms (Kus, 2006). Neo-liberalism resembles classical liberalism in that it views liberty, universalism, the free market and a weak state as the main principles of a functioning economy and society. It stresses the priority of market principles and individualism even more than classical liberalism does. The demand on social policies that is derived from such ideas is for the "marketization" of policies on the basis of deregulation, privatisation, reductions in social spending and the close dependency of social rights on the individual's duty (Brennan et al., 2016; Gingrich, 2011).

During the welfare state reforms of the last few decades, market principles were also strengthened in *LTC* policies on the basis of elements like provider competition, the outsourcing

of care services to for-profit providers and the transformation of senior citizens in need of care into ‘consumers’ who ‘buy’ the care services in care markets on the basis of cultural ideas according to which markets and consumer choice are a particularly efficient way to organise long-term care. These reforms were promoted by a variety of actors governing care policies (Bode, 2012; Brennan et al., 2016; Pfau-Effinger et al., 2009; Vabø, 2006; Gingrich, 2011; Jensen and Møberg, 2011; Pfau-Effinger and Rostgaard, 2011; Taylor-Gooby, 1999; Theobald, 2015). Such reforms led to a weakening of the old policies dependent on strong centralised public institutions, and the universal treatment of people as ‘clients’ or ‘patients’. Public provision of social services declined as contractualisation and outsourcing brought parts of these services into the market (Anttonen and Häikiö, 2011; Gilbert, 2015; Kröger, 2011). The establishment of competition among the providing organisations lead to a substantial increase of the share of for-profit providers (Anttonen and Meagher, 2013; Brennan et al, 2012).

With the introduction of the Long-Term Care Insurance Act (*Pflegeversicherungsgesetz*; SGB XI) 1995/1996 marketisation of *LTC* policies was also established in Germany. *LTC* was traditionally based on care by family members. Public care was mainly organised as residential care which was usually provided by public or non-profit providers by and large excluding for-profit providers from the welfare mix. Seniors not able to afford *LTC* services were eligible to public funding on the basis of a means tested social assistance (Behning, 1999).

With the new *LTC* policy, social rights of older people for publicly funded care services were substantially extended. At the same time, market principles were considerably strengthened: The Long-Term Care Insurance Act introduced the principle of public procurement and provider competition. Moreover, it supported the integration of for-profit providers into the welfare mix, and it motivated the municipalities to give for-profit and non-profit providers of care services priority over public providers. Furthermore, the principle of ‘consumer choice’ was introduced, in that seniors who have passed the health test could choose between different types of care providers in home care and in residential care (Pfau-Effinger et al, 2008; Rothgang, 1997).

So far, there is little research about local differences in the marketization of *LTC* through local social policies. Comparative local research has primarily focused on the actual local structures and generosity in care provision and the extent to which they differ in relation to the extent of marketisation (Dahme et al, 2008; Grohs, 2009; Jensen and Lolle, 2013; Trydegård and Thorslund, 2004, 2010). For example, several studies show that the share of for-profit providers

in the entire set of local care providers at the local level differs in part between municipalities. According to comparative research, factors that explain differences in the local LTC structures include the demographic composition of the local population, the political composition of the local council, and the resources available for local social policies (Jensen and Lolle, 2013, Puthenparambil, 2018, Puthenpaambil et al., 2015; Yeandle et al., 2012). However, studies are rare that explain differences in the degree to which local social policies support the marketization of LTC.

### **3. Theoretical framework**

The main focus of the present empirical study is on strengthening market-based institutional principles ('marketisation') that is related to the supply side of *LTC*. Typically, supply side related *LTC* policies comprise the active political support for one or more elements of marketisation in relation to the provision of *LTC*, such as the outsourcing of care provision to non-public providers, the inclusion of for-profit providers and the strengthening of provider competition.

The study's main assumption is that two factors are highly relevant for differences in the implementation of policies that are strengthening market principles in the provision of *LTC*. (1) the *cultural ideas* of the main actors implementing local social policies and (2) the *governance structures* in local social policies. In addition, the role of other factors are explored such as (3) the availability of resources for local social policy, (4) the demographical structure of the population of the city and (5) the political orientation of the governing parties in the municipality.

#### *The role of cultural ideas for the explanation of differences in local social policies*

It was shown that differences in the cultural ideas surrounding the welfare state ("welfare culture", Kaufmann 1991) contribute to the explanation of differences in national welfare state policies (Béland, 2008; Fleckenstein, 2011; Pfau-Effinger, 2005). This article applies this argument to social policies at the local level. It argues that differences in the local welfare culture contribute to the explanation of differences in the degree to which local *LTC* policies support the marketization of *LTC*.

We use the concept of the 'welfare culture' by Pfau-Effinger (2005), according to which the 'welfare culture' is the system of relevant cultural ideas surrounding the welfare state in a given society and the way they are embedded in society. It comprises the values, ideals and belief

systems relating to the ‘good’ society and (morally) ‘good’ behaviour referred to by the relevant social actors in the political field and in the broader society, but it does not determine action. Welfare culture at the macro level offers action orientation to actors on the micro and meso levels but does not determine action. The welfare culture can be either ordered or logically inconsistent and it is potentially fragmented, contested, contradictory and changeable. The cultural values and ideals which dominate the welfare culture restrict the spectrum of the possible policies of a welfare state (Pfau-Effinger, 2005). The main focus of this article is on the cultural ideas of the relevant political actors in LTC policies.

The cultural ideas to which the relevant actors in the field of policy-making are oriented may differ from those on which the policies of the national welfare state are based. Therefore, it is possible that local actors refuse to implement national policies or modify their meanings relative to the original aims. Consequently, according to our main assumption, the chance is higher that social policies implement market principles established by law at the central state level in municipalities where they contradict the main cultural ideas of the relevant local policy actors than in municipalities where these principles match the main cultural ideas among the relevant policy actors.

#### *The role of governance structures*

We also assume that *local governance structures* also are a relevant factor contributing to the explanation of differences in *LTC* policy marketization. Certain types of governance structures may better facilitate the implementation of new principles in local social policies than others. The term ‘*local governance*’ is useful in that it includes all actors possibly relevant to local policy-making, not only public actors but also those in civil society or market organisations, as well as special-purpose ad hoc bodies that might participate in the policy-process (Andrew and Goldsmith, 1998; Pierre, 1999). Here we use the term ‘local governance structures’ to indicate the types of locally established relationships between the relevant public and non-public actors in the field of social policies. Many authors restrict the term ‘governance’ to horizontal structures of decision-making processes. In contrast, we argue that governance structures can take different forms: They may have rather horizontal structures or be based on more centralised and hierarchical decision-making processes (e.g. Mayntz, 2004, page 69). It was shown that more hierarchical local governance structures stronger support policy innovation than horizontal governance structures (Hill and Hupe 2009, Och 2019). Therefore, according to our second main assumption, the chance that local social policies implement national LTC policies

that support the marketization of care is higher in municipalities with vertical governance structures than in those with horizontal governance structures.

#### *The availability of financial resources for local social policies*

It was shown that the availability of financial resources for local social policy plays a role for the explanation of local differences in the generosity of local *LTC* policies (Jensen and Lolle 2013). We therefore assume that localities poorer in economic resources would tend to marketise *LTC* more than others.

#### *The role of the local demographic structure*

The demographic structure with regard to the proportion of older people in the population is considered a relevant factor for the explanation of local differences (e.g. Trydegård and Thorslund 2010; Jensen and Lolle 2013).

In cities with a higher share of older people in the population, the municipalities are confronted with higher rates of care-needy people and therefore with higher caring costs. We therefore assume that those municipalities tend to use the marketization of care to a higher degree, since it may lower the public expenditure for *LTC*.

#### *The role of party politics*

According to theoretical approaches seeking the explanation in the political orientation of the main political party/parties, social democratic parties are less oriented towards neo-liberal cultural values and marketisation than conservative and liberal parties are (Grüner et al, 1988; Naßmacher and Naßmacher, 1999, page 32). Meanwhile, this argument is contested, and the differences seem to be blurring (Gingrich, 2011; Jensen and Lolle 2013; Stjerne, 2008). We evaluate the assumption that local governments based on social democratic parties tend to support public services, while local governments based on conservative and liberal parties tend to support the marketisation of *LTC*.

#### **4. Methodological approach of the empirical study**

##### *Case selection*

The study includes cities from West Germany and East Germany because in the time period after unification in 1990 both regions represented two different types of welfare culture with respect to the marketization of social policies, and different types of governance structures.

In West Germany, there was a long tradition of a welfare culture that supported a strong role of the state and civil society organisations for the provision of social services (Rauschenbach et al. 1995). In East Germany, the state had the main role for the provision of LTC in the welfare culture of the GDR, even if also non-profit providers were involved in the actual LTC provision. However, after the German unification of 1990, state responsibility for the public provision of social services was in part de-legitimised in East Germany. Therefore, political actors in East Germany were more open to neoliberal ideas which were promoted in the 1990s by the EU and the OECD (Eichler & Pfau-Effinger, 2009). Accordingly, West Germany represents a more state and non-profit centred welfare culture, whereas East Germany represents more a market oriented welfare culture.

The study period ranges from 1995, when the marketization of LTC policies was introduced in the context of the SGB XI, to 2007, because with the financial crisis starting in 2008, the cultural orientation towards the marketisation of social services has been increasingly questioned and, in part, weakened in Germany like in other European countries (Vis et al., 2011).

Another reason for the selection of cases from West and East Germany is that they also represent regions with different local governance structures. local social policy governance in West Germany has been characterised by horizontal corporatist negotiations (Heinze and Voelzkow, 1998), due to their socialist heritage, the East German municipalities seem to have developed more a top-down structure wherein the public actors are the most powerful (Grohs 2009).

The cities for the case studies were selected based on the ‘most similar cases design’ (Przeworski and Theune, 1970). They are similar concerning main factors such as size (75,000–100,000 inhabitants each), overall economic situation in terms of purchasing power of both the public and the private households. They vary, however, in relation to the public spending (three below 2.000 €/inhabitant and one clearly above) and the aging two rather moderate and two



rather strongly in order to explore the effects of public resources and the demographic structure on the marketization (for details see findings section). The cities are treated anonymously, and their names are constructed on the basis of the region: W = West Germany, with the cities W1 and W2, while E = East Germany, with the cities E1 and E2.

### *Indicators, measurement and data*

It is common to analyse care policies on the basis of the actual structures of care, such as the structures of the welfare mix. However, these structures are influenced by a set of complex factors, including political, cultural, social, economic and demographical factors (Eichler & Pfau-Effinger, 2009). We therefore analysed the degree of the marketisation of *LTC* policies on the basis of political instruments and institutional regulations. For the selection of the indicators, we analysed in a first step, in which regard local care policies have space for action toward marketization in the context of the German welfare state (part 5.1.). We used two main indicators to measure the role of market principles in *LTC* policies

(1) the degree of outsourcing of homes for residential *LTC* or for assisted living and (2) the degree of active integration of for-profit providers into the welfare mix.

The degree of outsourcing of public homes for residential *LTC* or assisted living homes to non-public and particularly for-profit providers indicates the degree to which local policy towards *LTC* weakens the role of the state and strengthens the role of the market in public care provision of *LTC*. It is measured by the share of public homes for residential care or assisted living the municipalities have sold to the non-public providers during the study period. The actual share of non-public *LTC* homes would not be an adequate measure, since these might also include homes already non-public at the start of the study period.

The degree to which municipalities actively integrate for-profit providers into the local welfare mix is the second indicator. It shows how far local care policies are treating *LTC* as a commodity that provides enterprises with the possibility of making a profit. It is measured based on the degree to which political activities for developing the care infrastructure have included strengthening the role of for-profit providers in *LTC*.

## *Methods*

In order to analyse the local social policy regarding the marketization of care, we analysed documents such as the minutes of the meetings of the social committees of the municipalities and statistical and administrative reports. We also conducted nine expert interviews, which included at least two experts in each of the four cities (a responsible administrator and a representative of the local welfare associations), enquiring about the development of LTC policies towards during this period. In addition, we conducted the expert interviews in order to identify the most relevant actors in the field of *LTC* policies following a network approach (Adam and Kriesi, 1999) and to collect information about the relevant types of actors, the nature of their relationships, the power relations between the relevant actors, the main forms of cooperation, the degree to which social networks exist, and the types of decision-making processes.

We then conducted 28 semi-structured theme-centred interviews (on average seven interviews in each city) for the analysis of the cultural ideas. In each municipality were interviewed relevant political and administrative actors, among them the heads of the social department and of the social committee, representing institutional veto-points (Immergut, 1990) and relevant civil society actors from the for-profit and the non-profit sectors<sup>1</sup> and senior interest representatives. Except one CEO of a for-profit provider in E2, all interviewees were born and socialised in the Eastern or Western region they worked in. Moreover, all interviewees have long been active in *LTC* policy-making in their respective cities.

The cultural ideas of the relevant actors were explored on the basis of questions related to different dimensions of cultural ideas about the ‘ideal’ type of *LTC*, and how this is linked with marketization, care quality, participation of older people and family care. The guideline for the interviews included standardised questions and open-ended questions as well as scales and vignettes to express and evaluate their own value orientations (see also Barter and Renold, 2000; Finch, 1987; Spalding and Phillips, 2007). All interviews were transcribed and analysed using MAXQDA. The value scales were quantitatively analysed.

We measured the availability of financial resources for local social policy on the basis of the amount of public expenditure and the income of the municipality per habitant. The demographic

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<sup>1</sup> In all our cities, welfare associations are organised within a local umbrella organisation as is usual in Germany. We conducted at least one interview with the representative of this board in each city.

structure was evaluated on the basis of the proportion of persons over 60 requiring care and the respective population share of people older than 60. To assess of the role of the dominant local political parties, we analysed which parties were governing the cities during the study period.<sup>2</sup>

## ***5. Findings of the empirical study***

### ***5.1. Space for action of the municipalities in the context of the national welfare state in Germany***

In a first step, we analysed the general space of action of the municipalities with regard to the marketization of LTC in the context of the national legislation in Germany.

The German constitution regulates the relationship between the national welfare state, the federal states (*Länder*) and local social policies. The national state is primarily responsible for social affairs, but it has the duty to collaborate with the *Länder* (Articles 20.1 and 28.1, p. 1 of the Constitution). The municipalities do not have legislative rights, but they can steer social welfare affairs on the basis of their right to ‘local self-governance’ (Article 28 Paragraph 2 of the Constitution of the FRG). The central state may transfer duties to the municipalities through legislation, and these can decide in favour of assuming additional, voluntary tasks. The possibilities for action are clearly limited by available resources, but the policy actors may extend their resources by raising additional funds, for example from the European Union (Och, 2019).

### ***5.2. Differences in local LTC policies toward care marketisation***

Our findings indicate clear differences between the cities’ types of care policies. Regarding the first indicator, the outsourcing of public LTC infrastructure, the local governments in the East German cities E1 and E2 were rather active selling their public residential homes for LTC. The local government of E1 sold all four public care homes it owned during the 1990s. The municipality E2 sold two of its three care homes. The third home remained public because the workers’ council voted against the planned outsourcing via public tendering and the city decided to specialise the home for high-quality dementia care. Both East Germany cities did

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<sup>2</sup> For the statistics we used public data from the federal statistical office and the Bertelsmann Stiftung 2003 ‘Wegweiser Kommune’. For the political power distribution between local parties, we used election data and minutes of the sessions of the main actors of the municipalities.

not own homes for assisted living during the study period. The local governments of the West German cities W1 and W2 in contradiction did not sell any public residential care homes or homes for assisted living during the study period (Table 1).

**Table 1: Marketization of eldercare policies in four German cities**

Marketization of local care policies	West Germany		East Germany	
	W1	W2	E1	E2
<b>Overall degree of marketization</b>	Low	Low	Medium to High	Medium to High
<b>Outsourcing of public care provision</b>	Low No public <i>LTC</i> facilities outsourced	Low No public <i>LTC</i> facilities outsourced	High All public <i>LTC</i> facilities outsourced	High Most public <i>LTC</i> facilities outsourced
<b>Promotion of integration of for-profit providers in the welfare mix</b>	Low No promotion of for-profit provider	Low No promotion of for-profit provider	Medium In part promotion of for-profit providers	High Strong promotion of for-profit providers

Middle size cities (75.000-100.000 inhabitants), W1, W2 = Cities in West Germany, E1, E2 = Cities in East Germany

The local governments of the East German cities were also actively promoting the inclusion of for-profit providers into the welfare mix during the study period, the study's second indicator for marketisation. The local government of E1 sold two of its four public *LTC* homes to for-profit providers, and two of the three *LTC* homes in E2 were eventually sold by the local government to for-profit providers. The concept of assisted living was new to both East German cities and both supported the establishment of new facilities by selling suitable public buildings, providing building ground or subsidies to profit- and non-profit provider. In E1 59.2 % of all assisted living facilities (574 residential units) were established by for-profit providers and in E2 23.4 % (451 residential units). The local government of W1, in contradiction, even actively hindered any establishment of for-profit providers in the city. Although there have been several requests addressed to the public actors to accept the establishment new, for-profit care homes, the local government has always refused them, arguing against the need for increasing the *LTC* capacities in the city. Consequently, there were no for-profit *LTC* homes in W1 until 2007. Also, neither city supported the establishment of for-profit provider of homes for assisted living.

Altogether, the findings show for the East German cities a higher degree of policy marketization in comparison with the West German cities. The local governments of both East German cities actively sold all or nearly all of their public residential homes. Also, both cities have sold a substantial part of these homes to for-profit providers. In the West German cities, the support of policy marketisation in *LTC* policy was low, since their governments did not sell any residential home or home for assisted living during the study period nor did they promote the introduction of for-profit providers into the welfare mix.

### ***5.3. Explaining the differences in local policies towards long-term care for older people***

In this section, we evaluate the study's theoretical assumptions for the explanation of the differences in the degree of marketization between the municipalities.

#### *The role of differences in the main cultural ideas of the relevant political actors*

It seems that differences in the main *cultural* ideas related to the 'ideal' type of *LTC* of the relevant actors in local care policies contribute significantly to explaining the differences in the degree of care policy marketisation. Table 2 shows the results of the analyses of the cultural ideas of the relevant actors, on the basis of standardised questions, open questions and vignettes. In the West-German cities, which had a rather low level of policy marketization, the majority of the relevant actors feel positively towards the public provision of *LTC* and the integration of non-profit providers into the *LTC* provision, while they have negative attitudes towards the inclusion of for-profit care providers. In city W1, most actors are even strictly negative about this form of marketisation, while in city W2, a majority of the relevant actors in the West German cities also share a negative position on competition between providers. They prefer the existing structures of cooperation over competition. Altogether, the cultural value orientation is more negative towards the marketisation of *LTC*.

The outcome is different in East Germany, where most actors in their cultural values support the outsourcing of *LTC* provision and the introduction of for-profit providers into the welfare mix. A common belief is that a strong provider competition and the integration of for-profit providers can help to improve the quality of *LTC*. The relevant actors also assume that it offers older people in need of care autonomy and 'free choice' with regard to the provision of *LTC*, even if all of them do not have data or experiences related to differences in the care quality and older people's autonomy in the different types of residential caring homes.

**Table 2: Cultural ideas of most relevant policy actors related to marketization of eldercare in four German cities**

Local care policies	West Germany		East Germany	
	City W1	City W2	CityE1	City E2
<b>Value orientation</b>				
<b>Social services ideally organized with support of market providers</b>	most actors disagree	most actors agree	most actors agree	most actors agree
<b>Social services ideally organized on the basis of competition</b>	most actors strongly disagree	most actors strongly disagree	most actors agree	most actors agree

Middle size cities (75.000-100.000 inhabitants), W1, W2 = Cities in West Germany, E1, E2 = Cities in East Germany

Overall, the findings reveal that the cultural ideas supporting the organisation of care provision based on market principles, outsourcing *LTC* and the integration of for-profit providers are more strongly shared by the relevant political actors in those cities which have a relatively high degree of care policy marketization in comparison with those cities which have a relatively low degree of marketization.

#### *The role of differences in the governance structures*

The findings from the expert interviews and document analyses show that differences in governance structures also help explain the differences in local policies on *LTC* the four cities. The governance structures in the West German cities, which have a relatively low degree of policy marketization, tend to have more horizontal decision-making structures which involve, besides civil servants, other local actors such non-profit organisations, market-based enterprises and self-help groups of care-users. The governance structures in the East-German cities, which have a rather high degree of *LTC* policy marketization, by contrast, are *more centralised and hierarchical*, i.e. having the public authorities in the central position.

In the two cities in West Germany, we found two different types of these ‘more horizontal’ governance structures. In W1, the governance structure is strongly segmented into a core group of actors and the periphery. A traditionally strong and relatively fair cooperation exists between public actors in the municipality and the representatives of the main welfare associations, which

has been labelled as ‘local corporatism’ (Heinze and Voelzkow, 1998). This core group manages various steering committees which make the main decisions in local LTC policy matters. Other actors, such as the representatives of for-profit organisations or other organisations in civil society, play a reduced role.

The other city, W2, has a kind of dualistic structure. On the one hand, the municipality itself a care provider, with a direct and relatively strong control over a rather broad field of care provision. On the other hand, it has also a broad, inclusive but relatively loose network of various actors in the field of care provision, who meet several times every year for a broad discussion of future care policies (called ‘care conferences’). The role of the municipality is to organise these meetings and provide them with thematic input and inspiration, but they distribute relatively few resources. The effects are, in part, indirect, in that care providers assume new ideas about ‘good quality’ care. One of the relevant actors has compared this to an ‘artesian fountain’: the municipality gives communicative input that has diverse, unforeseen effects in various other places within the local care landscape. This type of horizontal dualistic governance structure seems to support conservative decisions and hinders, in part, the introduction of market principles.

**Table 3: Governance structures in local care policies in four cities of West (W1, W2) and East Germany (E1, E2)**

Local care policies	West Germany		East Germany	
	City W1	City W2	CityE1	City E2
<b>Main features of the governance structure</b>	horizontal corporatist	horizontal dualistic	vertical state-centred	vertical state-centred
<b>level of activity in eldercare policy</b>	medium	low	high	high

Middle size cities (75.000-100.000 inhabitants), W1, W2 = Cities in West Germany, E1, E2 = Cities in East Germany

In both East German cities, which have a relatively high degree of policy marketization, the governance structures have a more hierarchical, state-centred structure with the political and administrative actors as the most powerful actors. This is partially due to the socialist history

and unification process. In socialist times, welfare associations were not supported by the state, which steered social policy centrally (Dallinger and Naegele, 1993). The top-down reunification process (Lehmbruch, 1993) also placed the local public actors in a central position because they had to decide over the funding for restructuring the local care infrastructure. By contrast, the welfare associations were rather weak, since they did not have strong roots in the civil society and had depended strongly on the local administrations and public resources (Angerhausen et al, 1997; Angerhausen, 1998; Zimmer, 2007).

#### *The role of differences in the financial resources of the municipalities*

We tested whether the *financial resources available* to the municipalities has an influence on their policies towards marketisation. The findings indicate that the degree of marketization does not vary systematically with the amount of resources available to the municipality. The West-German municipalities, which have a relatively low level of marketization, have markedly lower incomes per inhabitant (W1: 1585.2 Euro; W2: 1855.2 Euro per year) than the East-German (E1: 2179.3 Euro; E2: 2250.2 Euro, GENESIS: Bruttoausgaben der Gemeinden–Jahressumme 2003), which have a substantially higher level of marketisation. At least one of the two East-German municipalities (E1) also has significantly higher expenditures per inhabitant (2793.4 Euro per year) than the two West-German cities (W1: 1627.89 Euro; W2: 1905.3 Euro), while the East-German municipality E2 has the lowest expenditures (1725.5 Euro). These results indicate that the level of available financial resources does not systematically vary with the degree of policy marketization.

#### *The role of differences in the demographic structure of the population*

The share of people over 60 requiring care in the population—from 2003 data—is greater in both West-German municipalities (2.8% each) which have a rather low degree of policy marketization than in both East-German cities (E1: 2.2%; E2: 2.1%) (Bertelsmann Demographic Report 2004, Pflegestatistik 2003) which have a relatively high degree of care policy marketisation. The higher level of care marketisation in East Germany is thus not traceable to any severe age-related care problem.



### *The role of the political orientation of the governing political parties*

The findings do not show any clear connection between the degree of care policy marketization and the political orientation of the governing party/parties.<sup>3</sup> Both city parliaments of the two West German cities were dominated by the social democratic SPD during the second half of the 1990s until 2000. However, since the early 2000s, in both cities coalitions of the conservative CDU, together with changing partners (the liberal FDP, the Greens and local citizens' voters association [Wählergemeinschaft]) dominated. Nevertheless, even though the political orientation of the governing parties has changed in both West German cities since 2000, in both of them a policy persisted that avoided the outsourcing of residential homes for *LTC* and the inclusion of for-profit providers.

In the city parliaments of the East German cities was no clear dominance of a specific political party and political orientation; all three of the biggest parties (SPD, CDU and Post Communists) had a time in which they became the strongest party in the elections, but none could win a majority during the study period.

## **6. Conclusion**

Our study aimed to explore the role of culture and governance structures for the explanation of differences in local policies towards the marketisation of *LTC*, using the example of *LTC policies in Germany*. With the introduction of the Long-Term Care Insurance Act in Germany in 1995/1996, the German welfare state introduced market principles into the organisation and delivery of *LTC*. The findings of the study show that these principles were implemented in different ways and to different degrees at the local social policy level. So far, studies analysing the different degrees to which marketisation was supported at the municipal political levels and the reasons for this phenomenon are few in number.

*LTC*. According to the main assumptions, differences in the cultural value-orientations of the main political actors about the 'ideal' ways of organising *LTC* are most relevant when explaining the policy differences, along with differences in the governance structures of *LTC* that were established by the municipalities. In addition, the role of the availability of financial

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<sup>3</sup> Similarly to the national level, the most important parties on the local level are the conservative union (Christian democratic Union, CDU and Christian Social Union, CSU (only Bavaria)), the Free Democratic Party (FDP), the Social Democratic Party of Germany (SPD), and the Alliance 90/The Greens (Greens). In some of our cities also local citizens' voters associations [Wählergemeinschaft] played a role.

resources for local social policy, the demographic structure of the population and the political orientation of the governing political parties were also evaluated.

The study comparatively analyses four middle-sized West and East German cities in order to explain the differences in the degree of marketisation of *LTC* in local social policies, on the basis of in-depth document analyses, expert interviews and 28 semi-structured, theme-centred interviews of relevant actors.

The use of the method of parallel demonstration helped to demonstrate that local *LTC* policies are supporting *LTC* marketisation stronger in East German cities than in West German cities. The findings support the main assumptions of the study, that differences in the main cultural ideas of the field of political actors and differences in the governance structures of local *LTC* policies are relevant for the explanation of the differences in local *LTC* policies toward care marketisation. Other factors, such as the availability of financial resources for local social policies, the proportion of elderly in need of care in the population of the city and the dominant types of political parties, do not contribute much to explaining the differences.

The empirical study is based on an explorative analysis of four comparative case studies. Future research would be needed that evaluate the theoretical assumptions for countries with different types of welfare states and on the basis of a comprehensive number of cities within countries.

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