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Do economic fluctuations make a difference? Market oriented policy options in Finland in the times of recessions

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Abstract

Market oriented policy options have started to be implemented in an increasing manner in the delivery of health care in Finland. In this paper we consider whether the economic fluctuations are associated with the application of market oriented policies. In particular we try to hypothesize, how the current recession might affect the application of market oriented policy options in the delivery of health care and also, whether the economic climate affects the concept of the Nordic welfare state more generally. We state four alternative hypotheses about the association of the recession with the application of market oriented policy tools and with the public-private interrelationship in the context of Nordic welfare state. As the comprehensive data on the actual developments concerning the period from the early 1990s until the years 2010 or 2011 is not yet available, the paper is rather theoretical by nature. The empirical analysis is however forthcoming.

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Introduction

The idea, according to which health care services, as well as other welfare services, should be publicly financed, owned and produced, has traditionally been deep rooted in the Nordic welfare states (Øvretveit 1996). However, the boundaries between public and private sectors have started to blur (Saltman 2003) and the question of whether private sector should be allowed to pursue public ends has started to shift towards the question of how well private and public actors perform in pursuing these public responsibilities (Øvretveit 1996). It seems that the use of market oriented policy options is gaining ever increasing popularity, although in some countries the enthusiasm for these applications has been going also to another direction (Harrison & Calltorp 2000). In any event, the antecedents of these policy paths are unclear. However, they are worth considering in order to understand the nature of the current developments.

In this paper we define market oriented policy options as policy applications such as outsourcing, contracting out, purchaser-provider split, and service vouchers. Also increased patient choice may be included in the list (Harrison & Calltorp 2000). Generally, these policy applications have roots in the ideas of New Public Management, which have influenced the developments in European welfare states especially in the 1990s (e.g. Pollitt, van Thiel, Homburg 2007). Usually, the rationale or rhetoric behind the application of these policy tools relates to believes about enhanced efficiency and responsiveness as well as cost reductions in publicly funded services (Harrison & Calltorp 2000).

Market oriented policy options have started to be implemented in an increasing manner in the delivery of health care in Finlandⁱ. Almost all of these developments have, however, taken place during the economic boom that begun in the mid 1990s after the deep economic recession. Thus, we find it worth considering, whether the development towards more market oriented policy options continues or whether the scope of the public provision increases due to the economic down-turn. In other words, the question is about whether the economic fluctuations are associated with the application of market oriented

policies in particular and also, whether the economic climate affects the concept of the Nordic welfare state more generally. That is, we take into account also the developments that might be happening concerning the interrelationship between the public and private health care sector.

Finland has been clobbered by two major recessions during the last couple of decades. The first, in the early 1990s was somewhat local, not even European-wide, whereas the present one (begun in 2008) can be described rather global in nature. In this paper we consider, whether the current recession has an effect on the national health care policies in Finland. In particular, we try to hypothesize, how the current recession might affect the application of market oriented policy options in the delivery of health care. As the comprehensive data on the actual developments concerning the period from the early 1990s until the years 2010 or 2011 is not yet available, the paper is, to a large extent, based on alternative hypotheses about the future developments. The empirical analysis is however forthcomingⁱⁱ.

Alternative hypotheses about the impact of recessions

Existing literature suggests that recession have, indeed, had effects on the relationship between public and private sectors in several areas of the society (e.g. Krugman 2009; Lehto & Blomster 2000; Edgell and Duke 1986). We build our analysis on four hypotheses:

- 1) A recession wipes ineffective firms out of the market and creates space for more efficient business models. Thus, if the market oriented policy tools are more effective ways to provide publicly funded health care services, changes in the provision methods could alter in the times of a recession.
- 2) A recession works as an exogenous shock that creates circumstances for opening of an opportunity window that enables the increase in the application of market oriented policy options.
- 3) A recession reveals structural mechanisms of the service system that follow the ideas of Keynesian welfare state.

- 4) A recession reveals a particular working logic of the local authorities responsible for organising the health care services for the citizens.

Recession, a refiner

The first hypothesis is based J. A. Schumpeter's (1976) idea of creative destruction. The concept of creative destruction refers to a process that reallocates the resources and cleanses malfunctioning market players or production models out of the market (Schumpeter 1976: 81-86). In other words, recessions have a cleansing effect on the market. Also Caballero and Hammour (1996 & 1994) lean on Schumpeter ideas as they introduce their "vintage model of creative destruction". It, however, adopts a slightly different view on the antecedents and impacts of creation and destruction of production units in the market. Either way, based on the concept of creative destruction, it is possible to hypothesize that, when taking the context of competitive market and assuming that the market oriented policy tools are more effective ways to provide publicly funded health care services, there would be decrease in the public provision and increase in the private provision of the services during and especially after the period of recession.

Recession and opportunity window

Schumpeter (1912) provides a fine introduction also to our second hypothesis. He reminds us that the economic factors (i.e. phases of a business cycle) must not be counted as the sole causes of particular developments in the society. Rather, they belong to the set of multiple societal factors which Schumpeter calls "societal culture" (Schumpeter 1912: 111). Hence, not only economic fluctuations affect the implemented health care policies, but also other factors need to be taken into account. In Schumpeter's own words: "-- every element of any area is at any point in time in a relationship with every other element of any other area -- all states of all areas determine each other and belong to each other." (Schumpeter 1912: 111). These words gain support also from Krugman (2009: 18) who wants to point out that societal changes do not emerge automatically due to

economic fluctuations, but they need to be created through political action. Ergo, it is likely that the economics is not the sole factor (or factor at all), as the institutional change in the field of health care, or in any other societal area, are considered. This discussion leads us to our second hypothesis, which concerns the policy change in the society.

The second hypothesis builds on the theory of opportunity window introduced by J. W. Kingdon originally in 1984. According to Kingdon (1995) the change in the society is generated through three independent streams: problem stream, policy stream and political stream. Opening of the opportunity window provides that the problem has been recognised, that there is a feasible policy alternative available and that a national/political mood appears to be supportive towards the chosen policy alternative (Kingdon 1995). To sum up his idea Kingdon states: “The separate streams of problems, policies, and politics come together at certain critical times. Solutions become joined to problems, and both, of them are joined to favourable political forces.” (Kingdon 1995: 194.) The theory provides at least a partial explanation to a question, why institutional changes are so rarely occurring. In other words, the theory is, to a large extent, a theory of path dependency (see Wilsford 1994).

In this paper we focus especially on the two latter streams (i.e. policy alternatives and the national political mood) and take for granted that a problem (i.e. economic crisis) has occurred on the agenda. We focus on conscious policy decisions, among which also the decisions to adopt market oriented policy options can be counted. We are to hypothesize that a recession may work as a critical juncture that provides a fertile ground for opening of an opportunity window for a policy change, hence for the adoption of market oriented policy option.

Recession, a revealer of the mechanisms of Keynesian welfare state

The third hypothesis concerns the logic of the systemic structures that follow the ideas of Keynesian welfare state (Jessop 1994: 17). Here the Keynesian mechanism is understood as a mechanism in the system that expands the scope of the public sector in the times of

crisis. It is, thus, not purely the concept suggested e.g. by Jessop (1994) but a derivative of it. One example of the mechanism meant by us is unemployment benefit, amount of which increases in the times of a recession.

Based on this, we are to hypothesize, that if there are some Keynesian mechanisms in the Finnish health care system they become visible in the times of recession and extend the scope of the public sector. If this hypothesis holds, the scope of the public sector increases or decreases due to the structural mechanisms that are affected and revealed by economic fluctuations in the society. The extended scope of the public sector may, however, mean also the increase in the number of contracts with the private service providers. Hence, if the demand of publicly funded services increases, but the resources (e.g. human resources) do notⁱⁱⁱ, the need to contract out or even out-source certain services might increase.

Recession, a revealer of a particular working logic of the local authorities

The fourth hypothesis borrows ideas from the business economics and from the behaviour of the business firms. In other words, the local authorities are here considered to behave like business firms that are likely to pare down their subcontracts when facing an impaired economic situation. It has been suggested that firms, especially small ones, introduce retrenchments in order to survive the recession (Michael & Robbins 1998). These may include also cutting the number of contracts. Hence, we hypothesize that, if, the political decision makers adopt the working logics similar to business firms, the number of contracts with private sector reduces during the economic down-turn.

Outlining the context

Finland - a member of the family of the Nordic welfare states

The main characteristics of the Finnish welfare system have traditionally reflected the principles of the Nordic welfare state, which include (1) universalism (e.g. broad universal social benefits), (2) broad public participation, (3) equality (e.g. gender equality and equal income distribution), (4) services free or at least subsidized at the point of delivery, (5) relatively high proportion of GDP spent on health and social services and (6) an aim to full employment (Magnussen, Vrangbæk, Saltman & Martinussen 2009: 4). Each of the Nordic countries has, however, features that distinguish them from the other welfare states of the Nordic family. These features may be seen to occur especially in the level of policy applications which are implemented in the framework of common institutional as well as ideological principles of the Nordic welfare model (Magnussen et al. 2009: 7).

A special characteristic that distinguishes Finnish system from those in other Nordic countries is the financing of health care. The financing system consists of a unique mixture of Beveridge-model (i.e. tax-funded) and Bismarckian-model (i.e. compulsory National Health Insurance) that together form a system of two public financing channels (Häkkinen & Lehto 2005). It has been argued, that this creates a rather unique institutional context for market oriented policies, as the two-tier financing system does not create strong incentives to, for instance, contract-out tax-funded health care services (Häkkinen 2005). Rather, there is an incentive to cost shifting from the public tax-funded system to the system that is based on compulsory insurance through which the individual use of private health services is subsidized. In the tax-funded system the main financiers are the state and municipalities whereas the insurance based system is financed mainly by the state and employers together with individual citizens^{iv}.

Decentralising the decision making concerning the health and social services has been a common trend in Finland at least since the early 1990s (e.g. Vuorenkoski, Mladovsky &

Mossialos 2008; Häkkinen 2005). In other words, there has been a transition from strict state level steering towards decentralised decision making and responsibility for the organization of the services. A substantial governance reform was executed in 1993 but the state level regulation was started to be diminished already before that. Along these developments the main responsibility for organising the services shifted from the state to the municipalities and the 1990s can, thus, be called a period of state level “information steering”. However, as to the interrelationship between the local authorities and the state, the winds of change started to blow again in the 2000th century. The nature of national steering altered again and so called “programme steering” started to gain ground. That is, during the last decade, a parcel of development programmes has been introduced by the Ministry of Social Affairs and Health in order to steer the service system to a common path and to a single direction^v.

As a consequence of the decentralised decision making, the municipalities are rather autonomous in choosing the policies concerning the service provision. Municipals are, for instance, free to choose whether they produce the services self or purchase them from private service providers. Ergo, also the strategies of the municipalities to arrange welfare services may be different. Partly this is due to the geographical differences: in the urban areas, particularly in large cities, the variety of the service providers (i.e. public-private mix) is much greater compared to the more rural or sparsely populated areas. In addition, despite the attempts of the Ministry of Social Affairs and Health, regional development projects have directed the local policies in several directions and consequently the local health policies applied in the organisation of the services have been diverse^{vi}. (Häkkinen 2005.) Based on this it might be plausible to assume that in times of an economic downturn also the adaptation strategies of the municipalities differ and are dependent on the geographical as well as demographical factors of a given area. This is also what proven to be true in the 1990s, when municipals used different strategies to cope with the economic hardship (Vallivaara, Valtonen & Rissanen 2009; Simpura, Blomster, Heikkilä et al. 2001: 132-134).

The global downturn in the end of the 2000s

The present recession is faced in somewhat different institutional and societal situation as was the one in the 1990s. Firstly, the role of the central government and the Ministry of Social Affairs and Health are currently rather marginal. The focus is more on coordinating the system with the means of so called “information steering” (Häkkinen 2005) and more recently “programme steering”^{vii}. Secondly, during the 1990s recession, the public services were retrenched but not as largely restored as the economic boom begun. Hence, it may be that the present scope of the service system has eked out for close to maximum, at least in some areas or municipalities. Consequently, it may be that not much room is left for service or cost cuts. Thirdly, since the early 1990s, municipals have been free to choose whether they produce the services self or purchase them from private service providers. Municipals have indeed started to use contracting out, outsourcing and purchaser-provider splits. That is, the exploitation of market oriented policy options may be considered more popular than in 1990s. The private sector has also grown in size as well as altered in nature during the economic boom. Finally, several demographic changes (i.e. population ageing, immigration) and developments in technology as well as in medicine are likely to increase the demand of publicly funded health care. In other words, the societal circumstances as well as the political climate have, at least somewhat, changed during the decades between the two major recessions. Taking this context, we now move to consider the four hypotheses stated in the previous section.

Anticipating the future through the lenses of the four hypotheses

Recession, a refiner

A substantial decrease in the number of the private firms operating in the health sector may occur in the coming years in Finland. Some observers might connect the reduced number to the recession with a cleansing effect on the market. However, more likely

explanation is the march of the large corporation to the market as well as the increased trend of company mergers. As previously mentioned the private sector has grown in size as well as altered also in the nature. The seeds of these occurrences may be found by observing the current developments in the private health care sector. Recently, large multinational investment companies have started to enter the health care market in Finland^{viii} and it seems quite unlikely that the majority of the small entrepreneurs, currently common in the market, survive the competition against these firms (i.e. competition on individual patients and on contracts with municipalities). Thus, small firms may be forced to either close down or to sell their operations to larger actors. These developments towards increasing consolidation in the private sector might, among other things, increase the competition on workforce between public and private sector.

There is also another factor that might cause a reduction in the number of the firms operating in the market. This, however, does neither relate directly to the recession. In June 2010 the Government sent a bill on new Health Care Act to the parliament^{ix}. In the bill-draft there are proposals to increase patient choice by enabling the citizens to choose the health centre and the secondary care hospital they are treated in. Currently the citizens are eligible only for the public health care services that are provided by their home municipality (Vuorenkoski et. al. 2008). This potentially increases, at least in the long run, the competition between hospital districts and also between health centres providing primary health care. Based on this, it may be hypothesized that if the competition does increase, those organizations that are not able to attract patients will not survive. A number of municipals have out sourced their health centres to private firms and in this sense the increased competition might affect also the position of these private firms. However, as already stated, neither do these points relate to economic fluctuations, but more to the general policy making.

Here we have considered only the number of firms operating in the health care market. It is, however, worth to point out that the number of firms does not tell much about the proportion of the private sector in the volume of health care. Thus, it must be noticed that even though the number of the firms might decrease the volume of the private sector

provision may even increase. However, if the private service providers succeed poorly e.g. in the competition on patients, the number of contracts with municipalities is likely to decline. This potentially affects also to the proportion of the private sector in the volume of health care. This applies especially to the private companies that have based their operations mainly on public contracts.

Recession and opportunity window

During the 2000s there has been increasing trend towards separating the purchaser and the provider in health care and other municipal services (e.g. Tynkkynen 2009). To a large extent, the adoption of these purchaser-provider splits seems to relate to The Act on Restructuring Local Government and Services (Kokko et al. 2009; Vuorenkoski 2008). According to the government, the Act aims at increasing efficiency in municipal services and structures. A majority of the municipals has been forced to rethink their service structures and to merge with other municipalities. Another alternative has been to establish collaborative areas with other municipalities. Consequently, several municipalities have established joint purchaser authorities in order to comply with the requirements of the Act. In small municipalities (less than 5000 inhabitants) the purchaser-provider split seems, thus, to relate mainly to the strategies to organize services in a municipal cooperation. In larger cities in turn, differentiating the roles of the purchaser and the provider has meant more comprehensive reforms in the administration of the municipalities. (Kokko et al. 2009: 81-87.) All in all, it seems that to date these developments have not, however, increased the contracting with private sector to any large extent.

The new legislation on service vouchers, launched in 2009, offers an option to apply more market oriented policies in the service delivery. To date, the exploitation of the service vouchers has, however, not gained substantial popularity. The municipals seem to, however, consider the application of the service vouchers especially in elderly care and in certain support services (Kokko et. al. 2009: 88-89). In addition, some municipalities, the capital Helsinki included, have recently released their initial plans to

introduce vouchers for instance in hip-surgery, dental care and psychotherapy. Despite of this, it may be that the initiation of these plans may be delayed due to the recession, as the introduction of the vouchers may require additional investments on the part of the municipalities.

The increased differentiation between the purchaser and the provider and also initials plans to introduce service vouchers happen to take place partly in parallel with the economic down-turn. However, these developments can not be seen as a corollary of the recession. Rather, it is the politics that have directed the developments towards the common structure. These kinds of developments were acknowledged also in the literature considering the 1990s recession in Finland (Lehto & Blomster 1999). What might be, however, anticipated is, that the politics and recent policy developments *together* with the current recession may open an opportunity window for more out-sourcing and contracting-out. This assumption is partly against the developments observed by Lehto and Blomster (2000) who have reported that during the 1990s recession the contracting out of municipal services declined. However, Lehto and Blomster (1999) have also suggested that several developments, taken place during the 1990s recession, were based on the decisions made or at least prepared before the economic situation started to deteriorate in the early 1990s. As the situation in 2010 is considered from this point of view, the contemporary circumstances appear to be quite different from those in the 1990s. On one hand, the private sector has developed as well as grown in pace during the past decade. On the other hand, also the legislative processes have been different. Thus, the current developments can not be anticipated based on the experiences from the 1990s and it may be that the window of opportunity is at least more likely to open. However, recession might also hinder the introduction of some policies (i.e. closing the opportunity window) as mentioned already above.

Recession, a revealer of the mechanisms of Keynesian welfare state

The third hypothesis might work at least in the field of occupational health care. In this situation the mechanism resembles largely the one of the unemployment benefit. In

Finland, most of the employers purchase occupational health care for their employees. The purchasing of the services is subsidized from NHI by some 50-60 % of the expenditure^x. The occupational health care services are mainly provided by private health care firms.

If the recession reduces the number of the employed it is, on one hand, justified to assume that also the demand of occupational health care services reduces. This might create a situation where the scope of public sector increases as more citizens, previously eligible for occupational health care services, gravitate to public health centres. On the other hand, however, it might also happen that the demand of private services increases due to the increased unemployment. This would happen if those, used to visit occupational health care, turn to the private sector instead of the public health centres. This is, however, quite unlikely, as the income usually reduces due to the unemployment and, even though the use of the private services is subsidized from the National Health Insurance, the copayments for the use of private services are substantially higher compared to those in health centres.

If the first scenario of increased demand of public health services holds on, the developments could take at least two alternative directions. On one hand, the scope of the public sector might extend because of the increased demand of the publicly funded and provided health care (i.e. the use of health centres and secondary health care). In some areas municipalities have struggled with substantial difficulties to recruit personnel to the posts in public health centres. Consequently, they have been forced to purchase especially physicians from the private recruitment companies. However, if the demand of private health care in general and occupational health care in particular decreases, the supply of the personnel to public posts may increase and hence, enable the public sector extension through public finance and production of the services. On the other hand, however, the extension of the public sector may happen also by adopting the option of market oriented policy tools. In this case, only the amount of public finance increases and the problems of growing demand are solved by contracting out or out-sourcing the services. This might be a potential alternative at least if the supply of the workforce is not increasing in the same

manner as is the demand of the publicly funded services. Finally, the scope of the public sector might extend also in the case of increased demand of private services, as in this situation the amount of subsidies paid from the NHI would increase.

It must be acknowledged, however that all of these mechanisms work also other way around. Hence, in the times of prosperity, employment increases and along that also the demand of private (occupational) health care will be growing. This, however, provides that the structure of labour market and the nature of the contracts of employment^{xi} remain similar compared to the pre-recession period. If these factors alter, the post-recession developments are even more difficult to anticipate.

Recession, a revealer of a particular working logic of the local authorities

During the last recession the number contracts with private sector declined (Lehto & Blomster 2000). This may be because, generally, many municipalities did not find that contracting out or privatising were adequate means to gain cost savings (Heikkilä & Lehto 1992: 51). It may also be that cutting the contracts was politically easier than firing the personnel working for the municipality^{xii}. On the other hand, however, it has been argued that several policies implemented during the recession in the 1990s were based on the decisions made already before the economic down turn (Lehto & Blomster 1999). It is, thus, not evident, whether the decline in the contracts was corollary to the recession or associated with the decision made in the pre-recession period.

As we consider the current situation it may be noticed the developments in the delivery of health care have taken paths towards more market orientation during the past decade. Thus, it may be cuts in the number of contracts do not occur to any large extent, even though it might be politically easier manner to execute retrenchments. Further more, the health care has been claimed to be a noncyclical industry that may not be affected by economic fluctuations to any large extent (Pearce & Robinson 2002). In other words, the aggregate demand of the health services is likely to stay rather constant regardless of the phase of the business cycle. It has also been suggested that a poor financial status of a

municipality relates more to the tax-rate and indebtedness of a municipality than to the cuts in the health and social care expenditure (Vallivaara, Valtonen & Rissanen 2009).

On the other hand, however, as already outlined above, the demand of the services provided by different providers and financed from different sources may be influenced by economic fluctuations. Thus, a factor that might direct the developments to take a path of decreased number of contracts is the increase in the labour supply to the public sector posts. The area where the contracting out has been especially increasing is the purchasing of personnel from private recruitment companies. If the labour supply to the public posts increases, the public sector may not need to contract with private sector and consequently the number of contracts may decline. However, to be accurate, this might only affect the initiation of new contracts. The contracts already enforced are, in turn, not likely to be dissolved as in the most cases the contracting periods have been strictly defined in the contract. However, the contracting periods may generally be considered quite short and thus, the recession may have an impact on the renewal of old contracts. All in all, the recession might delay the adoption of market oriented policy options.

Can anything be said about the future?

It seems that there are several paths the developments may take and the future is not easy to anticipate. Some grounds for all the hypotheses discussed above can be found. However, if one looks at the existing literature on the impacts of different recessions, the hypothesis of opportunity window gains maybe the strongest support. The existing evidence tells us that the recessions have, indeed, worked as critical junctures that have enabled sometimes even major reforms in current policies.

If more general reforms are considered one may refer to the USA and the creation of the New Deal after the Great Depression in the 1930s (Krugman 2009). The unemployment and growing need for social security created a fertile ground for the New Deal, which was followed through with the help of Democrat President Franklin Delano Roosevelt. It

could also be deliberated, whether the recent health care reform in the USA, pushed through with the help of President Barack Obama in 2010, would have succeeded in a different economic and societal situation. The evidence can also be found in Europe. The recession in the 1980s in Britain, for instance, offers an example of a situation in which the economic down turn contributed to the opening of an opportunity window for market oriented policies (Edgell and Duke 1986).

As to the Finnish context, evidence exists as well. The political elite found in the 1990s that the recession was a passage from policies with prominent public sector to more market oriented and liberal social policies (Kantola 2002: p. 266-268). To some extent, the market was seen as a good scapegoat: the rhetoric of a society increasingly driven by the market enabled politicians to externalize the responsibility of service retrenchments and thus, maintain their own legitimacy (ibid.: p. 155). However, the rhetoric did not seem to reflect exactly the policies that actually were used to cope with the recession. This was partly explained by the suggestion that in the 1990s the political rhetoric did not associate primarily with the recession, but to the decisions made already before the impaired economic situation (Lehto & Blomster 1999). Based on the initial analysis, this seems to be the case also at this time. The developments towards more application of market oriented policy options may be observed to some extent. However, these developments are not, in general, corollary of economic fluctuations, but mainly resulting from policy decisions driven by other than economic fluctuations.

The influence of the recession should not, however, be totally ignored. As has already been argued, the recession may work as an exogenous shock that opens an opportunity window for certain policies (Kingdon 1995). In general, the decisions to outsource and contract out are often argued using rhetoric of increased efficiency and cost savings (Harrison & Calltorp 2000). This rhetoric suits well to the context of recession and thus, might support the possibility of opening of the opportunity window for these policies. That is, those policies that are believed to alleviate the economic hardship might be seen attractive by the decision makers. On the other hand, however, during the recession the support to the public sector might increase and the market oriented reforms may, thus, be

hard to put through in a situation like that. Indeed, a likely alternative is that recession impedes the developments towards more market orientation or at least delays the introduction of some market oriented policy applications (e.g. the case of service vouchers).

Do recessions make difference then? The answer seems to be twofold. Probably they do not, as it seems that the paths, taken by Finnish welfare state are not determined by the economic fluctuations, but mainly by conscious policy decisions driven by variety of factors, that is societal culture. And possibly they do, as the recessions have potential to work as critical junctures that create circumstances which open an opportunity window for the policy change or, on the other hand, impede or delay on-going policy processes. Both of these answers are probably true in the context of Finland with a rather highly decentralised service system: the influence of the economic fluctuations is likely to differ between different areas of the country and it is, thus, probable that also the coping mechanisms are different (Pearce & Robinson 2002; Simpura et al. 2001: 132-134).

In any event, it seems that the structural as well as contentual reformation or reorganization of the current service system has been put high on the political agenda in Finland. The process of the reform is, however, likely to be highly complex. Already in the early stages several controversies on the content of the future structures and provision methods of health and social care have emerged between the main government parties as well as between different ministries. In the given context an exogenous shock, like recession, might work as a critical juncture that directs the developments in a certain path.

Currently it has officially been defined that “the public service provision is completed by for-profit and not-for-profit organizations”^{xiii}. Thus, the private service providers are still, in the rhetoric, seen as complementary to the public service provision. This is largely true also in practice, but a slight change might be observed as well. The political support to purchaser-provider splits, public-private partnerships, patient choice and increased multiplicity of the service providers seems to be increasing at least in the national level^{xiv}.

Ergo, it seems that the public-private interrelationships in the health care provision is somewhat changing. Also in this sense, it is possible that the window of opportunity is about to open, or even is already slightly open, for wider application of market oriented policy tools and enhanced cooperation between the public and private health care sector.

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Notes

ⁱ It must be, however, pointed out that the increase in absolute numbers may not have been that substantial. Rather it seems that the relationship between public authorities and private service providers has altered.

ⁱⁱ Hence, all comments on this paper are more than welcome in order to improve the contents as well as to guide us with the forthcoming analysis.

ⁱⁱⁱ Particularly this means that public sector does not succeed in the competition with private sector on human resources and thus, needs to contract-out/ out source.

^{iv} A reader interested to learn more about the Finnish health care system are recommended to see Vuorenkoski, Mladovsky & Mossialos 2008.

^v National Development Plan for Social and Health Care Services (Kaste Programme) for the years 2008–2011 (http://www.stm.fi/en/strategies_and_programmes/kaste); Masto-programme to reduce depression-related work disability (<http://www.tartumasennukseen.fi/en>); Comprehensive Reform of Social Protection (Sata) (http://www.stm.fi/en/strategies_and_programmes/sata)

^{vi} Similar developments have been reported also in Sweden by Harrison and Calltorp (2000).

^{vii} We say this despite the fact that the decentralization reforms and the recession in 1990s took place at least partly in tandem.

^{viii} Three largest private health care companies in the Finnish health care market are owned international corporations: Terveystalo Healthcare owned by Bridgepoint (private equity firm); Attendo Medone owned by Attendo group; Mehiläinen owned by Ambea group (Talouselämä 2009(29): 18-26).

^{ix} A bill proposal is available in Finnish at [http://www.eduskunta.fi/triphone/bin/thw/?\\${APPL}=akirjat&\\${BASE}=akirjat&\\${THWIDS}=0.28/1277798908_514261&\\${TRIPPIFE}=PDF.pdf](http://www.eduskunta.fi/triphone/bin/thw/?${APPL}=akirjat&${BASE}=akirjat&${THWIDS}=0.28/1277798908_514261&${TRIPPIFE}=PDF.pdf)

^x The Social Insurance Institution of Finland: <http://www.kela.fi/in/internet/english.nsf/NET/081101135751EH?OpenDocument#employers>

^{xi} These are negotiated by the labor market organizations and trade unions

^{xii} A substantial proportion of those who are eligible to vote are employed by a municipality

^{xiii} The Government programme 19.4.2007: <http://www.valtioneuvosto.fi/tietoarkisto/aiemmat-hallitukset/vanhanenII/hallitusohjelma/pdf/hallitusohjelma-painoversio-040507.pdf>

^{xiv} Government statement 24.2.2009 (Hallituksen politiikkariihen kannanotto): http://www.vn.fi/tiedostot/julkinen/pdf/2009/Politiikkariihi_0209/fi.pdf