

## **Suppliers perspectives-tendering for health and social services in the Norwegian setting**

- As we all know the Norwegian Parliament have decided that the EU rules concerning public procurement should be followed in the health and welfare field, although these areas are exempt from EU requirements for competition.
- There are a number of competitions in the recent years where state or municipality has defined its needs and asked for a quote on price / quality from private providers. In my field that is child welfare services, the state that is contracting, while that for other health services, the municipalities purchase services such as home or institutional care for elderly people.
- Private vendors represent approximately 55% of the total number of children in child care institutions. The private corporations represent about 60% of these while ideal, non profit organizations represent the remaining 40%.
- I will concentrate on to say something about the way in which these competitions have been completed, the type of agreement we have gone into and the impact it has had for some of those who have lived with these agreements over the years.
- When our current government came to power in 2005, it was already implemented some competition where they had settled on two different kinds agreements. One was fixed agreements where the company had a revenue guarantee in a number of places that would be about as show 60% of their capacity. This means they are secured 60% of the maximum revenue regardless of whether the capacity was utilized. The remaining capacity was in the form of framework agreements where the provider undertakes to maintain a pre-agreed level of quality delivered at a predetermined price. It also means that the provider has to maintain full staff regardless of how much of their capacity was used.
- The government has officially expressed that they want to provide this services alone together with the nonprofit providers. That means they want the private corporations off this market. Our workers unions acts as a political party and support the government in this view.

- The Norwegian Child Welfare Law has an overriding principle that says that the children's best should be based on all the reviews concerning the child. The children's participation and influence is a very important point in the government's future children's welfare plans.
- The government, however, decided in autumn 2005 (Soria Moria statement) that the so-called ideal, nonprofit organizations, which to a large extent is described as volunteers, were favored in the selection of providers. The reason for this was that the ideal companies could not receive dividends of the profits and thus not enrich themselves at the welfare state funds. Another reason was that we as a society had the task to protect the nonprofit organizations because they had contributed so greatly to the welfare state growth. It has since come guidelines from the government that the placement of children in institutions, one should first look for space in the state's own institutions and then going to the ideal, and lastly the private limited companies if there wasn't room in the first two. This has some obvious negative consequences. One is that the place selected solely on the basis of ownership, that is not a scientifically founded choice (the child's best). The second is that the intentions of the children's participation and influence in terms of which services they will receive, will be impossible to satisfy. And third the private corporations represent 60% of the private capacity or about 35% of the total number of places in the institutions. The state has with this practice given away their own possibility to choose what the best is for the child.
- The procedure for obtaining places in ideal or other private companies is through regularly advertised competitions where the government has defined all aspects of the engagement such as number of children, quality, wages and working conditions, etc. Well-known method for the vast majority, I believe. After this, there is a prequalification where the most relevant providers reach the "final". It begins as contract negotiations where the price for the service is important if you get the deal or not. Which contract form adopted depends on whether ideal organization or corporation.
- As mentioned above, several non-profit actors have been offered fixed contracts, which ensures a certain income and make life more predictable. This is not the case for private limited companies, making their lives accordingly unpredictable. We have many times questioned the legality of this practice. Is it in line with EU legislation that could favor one group of vendors ownership within the same competition? The answer is that the government can favor the ideal vendors the way they do.

- As for the private limited companies are exclusively offered framework agreements. These are agreements in which they undertake to maintain full capacity and staffing in case the need should indicate that they have fully utilized their capacity. These conditions make life insecure for many. They have no guarantee of occupancy and they have no right to an explanation of why they are not given work despite having an approved institution. Part of the answer here is that the government has signed framework agreements for about 30% more than the capacity they need.
- We have in the past two years seen that several private institutions have closed its doors because of lack of work. During this period, the need for effective alternatives increased (children receiving child care services has increased about 60% the last 6-7 years) while the capacity is reduced. This institutions have participated in the competition, been approved and selected as suppliers, but not received assignments. This is especially difficult for those who provide child care services because they only have one customer who can choose them or leave without being obliged to give reasons for their choice.
- It is not a forward-looking policy to put a group that represents more than 50% of total capacity under a pressure that makes them unable to think long term.
- There are increasing demands to the amount of employees with an approved college education in residential child care. There is reason to believe that there will be a requirement of up to 80% of employees with an approved college education. To reach this goal, in addition to recruiting from educational institutions also make sure to educate internally among those who are already employed. This requires predictability. For those who only have framework agreements to deal with while authorities practice the priority list, it will be difficult to make long term plans for expensive educational programs for the staff. That is college education or other special education that increases their competence. So if the political authorities should have a chance to achieve its goal of a boost of knowledge in child care, they need to give the private suppliers frames and agreements they can live with.

- It may well be there is not room for all the institutions we have today, but then the capacity must be calculated and dimensioned in a way that produces the highest possible optimal conditions for proper operation.
- Only then we will be able to look ahead to the goals we've set up and have a realistic expectation of achieving them.