

## Foster Care on the Market: Swedish Independent Foster Care Agencies in an International Context

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### Abstract

In recent decades, a new type of organisation—independent foster care agencies (IFAs)—has emerged in Sweden and other countries. These organisations operate outside the public sector, marking a significant shift in how foster care is provided. The presence of IFAs signifies the establishment of a foster care market, where responsibilities once managed by child welfare authorities are now outsourced. In this article, the position of IFAs in the Swedish foster care market is analysed. IFAs are viewed as intermediaries facilitating the provision of foster homes and often providing support to foster families. As IFAs primarily operate as for-profit entities, they are analysed within the context of market dynamics and financial considerations in child welfare. The study is based on data from the state inspectorate, including a register of IFAs, framework agreements outlining the requirements for IFAs, and a national survey on IFAs, which includes social workers’ assessments of quality and costs. In Sweden, there were around 400 IFAs in 2024, ranging from large care corporations to small companies, frequently used by child welfare services. As for the services provided by IFAs, professionals hold mixed views, with some questioning their value for money. IFAs are an international phenomenon, and they have faced criticism for generating large profits from foster care services. The entrance of IFAs represents a form of radicalisation of the “love or money” dichotomy that has been a recurring theme in the foster care field.

### Keywords

child welfare; foster care; independent foster care agencies; privatization

## 1. Introduction

Foster care is the primary intervention utilised by Swedish municipal child welfare authorities when children require placement outside their homes. The prioritisation of foster care over residential alternatives has long been embedded in Swedish legislation and operational practices. However, the recruitment of foster carers remains a significant challenge in many Swedish municipalities, resulting in a shortage of suitable homes and complicating the process of matching children who require temporary or long-term care with appropriate families (Pålsson et al., 2022). In the early 1990s, a new type of organisation emerged in Sweden: independent foster care agencies (IFAs). Operating outside the public sector, mostly as for-profit companies, IFAs offer child welfare authorities the option to purchase placements in foster families contracted by these agencies. These placements often include additional support services for foster carers. The emergence of IFAs reflects a broader trend of privatisation and marketisation in out-of-home care—particularly residential care—observed in Sweden and beyond (Sen et al., 2024; Shanks et al., 2021).

IFAs have become established in several countries, including the USA (Huggins-Hoyt et al., 2019), the UK (Begg, 2011; Sellick, 2014), Australia (Australian Institute of Health and Welfare, 2021; Barber, 2001), and Norway (Begg, 2011). In Sweden, IFAs play a significant role in the foster care system. Compared to England, which has around 300 IFAs (Ofsted, 2024a), the approximately 400 IFAs in Sweden in 2024 represent a high number, especially considering Sweden's much smaller population. A study by Fridell Lif (2023) indicates that around 90% of Swedish child welfare authorities have engagements with IFAs. Nationally, it is estimated that around 25% of children in foster care are placed in homes facilitated by these agencies. This marks a pivotal shift in child welfare practices, allowing authorities to procure foster family placements and supplementary services from IFAs rather than managing these tasks internally. However, unlike in the USA and England, Swedish child welfare authorities retain the formal responsibility for investigating and supervising foster carers, even when these carers are recruited through external agencies (National Board of Health and Welfare, 2017; Ofsted, 2024b). The extent to which this responsibility is upheld in practice, however, remains a matter of debate.

The emergence of IFAs in foster care raises a host of fundamental questions and tensions frequently debated within the field of social work. While foster care is often perceived as a non-professional endeavour, driven by altruism rather than substantial economic incentives, the reimbursement of foster carers has long been a contentious issue (Söderlind & Sköld, 2018). Historically, various intermediaries with differing financial motivations have been involved in foster care provision. In this article, we analyse IFAs as intermediaries that function as brokers (see below). Operating primarily as for-profit entities, IFAs are inherently influenced by market logics. These dynamics underscore the importance of examining how market forces and pecuniary considerations impact child welfare, particularly in the context of foster care. The prominence of for-profit companies in the field has added a new layer of complexity. As we will demonstrate, utilising IFA services is costly, and the question of whether child welfare authorities receive “value for money” has been widely discussed. This issue has been explored in various forums, including a recent state investigation (Swedish Government Official Report, 2023).

The establishment of IFAs also highlights a tension between the traditional conception of foster care as a layperson's service and the growing demands placed on foster homes to care for children with diverse and often extensive support needs. Some homes facilitated by IFAs have become semi-professionalised, with

foster care serving as a full-time or part-time occupation, warranting additional compensation for carers. Moreover, the use of foster homes through intermediaries like IFAs introduces new and often multifaceted responsibilities for child welfare authorities. These include procuring placements, evaluating and monitoring the quality of outsourced foster homes, and overseeing the additional support services that IFAs may provide to foster carers (cf. Fridell Lif, 2025). Yet, it is important to note that overseeing the quality of foster homes and providing support to carers are essential tasks, even when homes are recruited directly by the authorities. Naturally, these activities incur costs for child welfare. It should also be remembered that, formally, these responsibilities remain with child welfare even when IFAs are contracted. An important point of departure in this study is that an extra layer of complexity has been added by the use of IFAs.

In sum, the emergence of IFAs underscores the multifaceted nature of foster care as a welfare service, in which economic considerations have always been present but have now become more prominent, complex, and subject to debate.

In this article, we analyse the Swedish IFA field, situating it within an international context and a growing body of critical discussion on the marketisation of child welfare (Lundström et al., 2020; Sen et al., 2024), including critiques of IFAs for failing to deliver value for money and increasing costs within child welfare (Davies, 2018). While research on IFAs in Sweden remains limited (however, see Fridell Lif, 2023, 2025), the phenomenon has received greater attention internationally, particularly in the UK (Davies, 2018; Sen et al., 2024). Despite IFAs' significant role as intermediaries and the controversies surrounding them, substantial knowledge gaps persist regarding this segment of the child welfare field. Unlike research in other areas, such as residential care, there is a notable lack of Swedish studies examining the composition and characteristics of IFAs, and the broader significance of economic factors. Additionally, limited research exists on the reasons for their use and the effectiveness of state audit measures.

The overarching aim of this study is to analyse the role of IFAs within the Swedish foster care market and their impact on child welfare authorities. Analytically, we draw on concepts from economics—such as quasi-markets, brokers, transaction costs, and credence goods—to examine the foster care market's development and the public control mechanisms implemented to govern it. Given the limited systematic knowledge about IFAs in Sweden, we have drawn on multiple data sources to provide a broad understanding of the role of this type of organisation. These sources include public registers and documents, as well as a national survey completed by child welfare representatives about their recruitment and use of foster homes.

The research questions are:

- What is the development and current position of IFAs in the foster care market, and how is the market structured regarding different types of agencies?
- What issues and considerations arise in relation to child welfare costs, agency profits, and transaction costs when IFAs are used?
- How are IFAs regulated regarding licensing and procurement requirements, and what implications might these regulations have for the quality of foster care?
- How do child welfare authorities perceive the role of IFAs in the foster care market, particularly in terms of the quality of services in relation to their costs?

## 2. Background, Previous Research, and Analytical Framework

### 2.1. *The Swedish Context*

In Swedish child welfare, municipal services are legally required to provide foster homes to children in need, as well as to negotiate agreements with foster carers regarding their responsibilities. This process begins with recruiting families deemed suitable to care for children. Subsequently, the Social Services Act, which regulates child welfare, stipulates that child welfare authorities monitor and evaluate the well-being of children in foster homes and ensure that foster carers receive adequate support. Traditionally, child welfare professionals have managed each stage of this process, maintaining direct communication with prospective and current foster carers.

A key factor in the rise and expansion of IFAs is the blurred boundary between the public authority exercised by child welfare services and the activities carried out by IFAs. While child welfare authorities are allowed to engage external actors—for example, to gather information before approving foster homes—delegating public authority functions, such as formally investigating and approving a foster home, is prohibited (National Board of Health and Welfare, 2017; Shanks, 2022). In practice, however, there have been indications that child welfare authorities sometimes circumvent the requirement to conduct their own investigations, basing approval decisions solely on information collected and evaluated by IFAs (Health and Social Care Inspectorate [IVO], 2017).

Thus, while child welfare services formally remain responsible for recruiting, investigating, and supporting foster homes, the growing use of IFAs has created a significant grey area. Given the scarcity of foster homes and limited resources for recruitment, particularly for children with complex needs, the services provided by IFAs are often a practical option for child welfare authorities.

Although this article focuses on foster care, substantial research exists on marketisation and its impact in adjacent fields in Sweden, such as elderly care, childcare, and the school system (Gustafsson et al., 2016; Szebehely, 2018), as well as broader international studies of the social service sector (see, for example, Brogaard & Helby Petersen, 2021; Meagher et al., 2022).

### 2.2. *The International Context, Research, and Critical Voices*

As mentioned earlier, IFAs have become an integral part of foster care systems in many parts of the Global North. While their prevalence varies geographically, they play a significant role in, for example, England. According to Ofsted, IFAs are now deeply embedded in the English foster care system: there are over 300 IFAs, which account for 43% of mainstream fostering households, with a concentration among the largest providers (Ofsted, 2024a). The introduction of IFAs in England dates back to the 1990s, initially as a means of providing placements in emergency situations. However, over time, they have evolved into regular service providers. This shift was driven by governmental policies focused on austerity measures and an emphasis on value for money (Sellick, 2011).

In recent years, critics in both public discourse and the social work profession have raised concerns in several countries about the efficacy of IFAs and their growing presence in the foster care market. In Australia, as

early as the beginning of the 2000s, IFAs were accused of contributing to the “demise of foster care” (Barber, 2001). In England, more recent criticisms posit that the rise of IFAs and their expanding market share has not led to improved foster care quality or better value for money. Instead, many IFAs, including those owned by private equity investors, are accused by the media and social work organisations of generating substantial profits, while local authorities face rising costs for providing foster care to vulnerable children (Davies, 2018; Samms, 2021).

In a recent article, Sen et al. (2024) critically examine the marketisation of out-of-home care, focusing primarily on the role of for-profit providers in residential care, but also addressing IFAs. The article mainly discusses the situation in the UK while situating it within the broader context of the Global North. The authors highlight a growing trend toward an increasing share of operations being conducted by for-profit companies, including the rising involvement of large for-profit entities. Additionally, they note the lack of research demonstrating that for-profit operations lead to improved quality. Sen et al. (2024, p. 284) argue that “available evidence tends to suggest that, if anything, the increased prevalence of for-profit residential child care providers has had an overall negative, rather than positive, effect.”

### 3. Analytical Framework: IFAs as Brokers, Transactional Costs, and Credence Goods

Historically, the foster care system has functioned as a type of market in which child welfare authorities purchase services from providers, typically “ordinary” families. However, as will be demonstrated, the emergence of IFAs has gradually altered the dynamics of this market. In Sweden today, as in many other countries, foster care is bought and sold in what can be described as a quasi-market (Bartlett & Le Grand, 1993). Key characteristics of such quasi-markets, which distinguish them from conventional markets, include public authorities acting as customers, purchasing care services, and a range of both public and private providers serving as suppliers of these services. In this article, we employ the concepts of brokers, transaction costs, and credence goods to analyse the role of IFAs in this market.

The concept of a broker is applied across various contexts, such as real estate brokers, knowledge brokers, and within social work. For example, social workers may act as brokers when they facilitate the provision of external services to clients. A search for terms like “broker,” “brokerage,” and “social work” reveals several references that highlight this role as a key aspect of everyday social work (e.g., Anastas, 2014; Craig & Muskat, 2013; Scourfield, 2010). As for IFAs, they function as brokers by facilitating and setting the price for the exchange of foster homes with child welfare authorities. In this regard, IFAs resemble real estate brokers who connect buyers and sellers and mediate the terms of contracts.

A notable distinction between real estate brokers and IFAs is that the former typically exit the transaction once the contract is signed. In contrast, contracts with IFAs often involve an extended relationship, including various support services provided to child welfare authorities and/or foster homes throughout the duration of the child’s placement in care. If we categorise IFAs using the term broker, their role involves facilitating the exchange of a specific service (foster homes) and, in most cases, providing support to foster families during the placement. In both cases, IFAs take over parts of the child welfare authorities’ role, but as mentioned above, without assuming formal responsibility, at least in Sweden. We believe that using the term broker highlights the fact that IFAs are, in most cases, business-oriented operations, while also reminding us that this type of intermediary is, in principle, not necessary as child welfare authorities can manage these functions through

direct contact with foster homes, and hence without IFAs. Indeed, this was the dominant practice in foster care prior to the 1990s, both in Sweden and other countries.

Further, and important for our analysis, is the rise of quasi-markets, which has highlighted the role of public authorities as purchasers and quality controllers. In quasi-market theory, for the market to function effectively, buyers must have access to various types of information about service providers. This requirement necessitates the implementation of regulation and control systems, such as licensing, inspections, and procurement processes, to ensure that providers meet specific quality standards. In economic theory, the costs incurred to obtain the relevant information and to operate these control mechanisms are referred to as transaction costs (Bartlett & Le Grand, 1993). However, research suggests that control activities often face difficulties in effectively auditing the quality of welfare services. One key challenge is that the quality of such services is typically multidimensional and difficult to measure using contracts or quality indicators. These services are often characterised as credence goods, meaning the seller possesses more knowledge about the service's content than the buyer. In the case at hand, this information asymmetry might allow IFAs to overstate or understate the needs of the foster family or the quality of their services in order to secure contracts or higher payments. Consequently, buyers must rely on trust in the providers in order to supplement the information obtained through control activities (Darby & Karni, 1973; Lindqvist, 2008). However, previous studies on privatised residential care in Sweden suggest that procurement, licensing, and inspections have not had a substantial impact on service quality (Höjer & Forkby, 2011; Pålsson, 2018).

## 4. Method and Data

We have used different forms of available data and research to piece together an overarching picture of IFAs' role in the foster care field. This includes examining their establishment, economics, regulatory frameworks, and potential implications for child welfare practice.

To analyse the distribution and composition of IFAs within the market, we draw on the national register of licensed IFAs in Sweden. For economic aspects, we rely on a government report and previous research, while licensing and framework documents are examined to discuss the regulations and monitoring of IFAs with respect to quality of care. Additionally, we analyse survey responses from a national study that explores how child welfare social workers assess the quality and costs of the IFAs they engage with.

### 4.1. Data From IVO Register

In accordance with regulations (National Board of Health and Welfare, 2018), all units offering independent foster care services are required to obtain a license from the IVO to operate. Licenses are granted on unit level, meaning that organisations owning several units must have a license for each unit. We requested lists of units from the inspectorate for each year from 2021 to 2024. These lists include basic information about the type of organisation owning the registered units, e.g., whether it is a private company, a non-profit organisation, or run by the public sector. Information about the size of the organisations and other details was manually gathered from IFA websites and company information databases. Furthermore, we complemented the information provided by the Inspectorate with licensing documents, i.e., templates to be filled in by applicants, to analyse the specific requirements for obtaining an IFA license in Sweden.

#### ***4.2. Data From a Government Report and Former Research***

Some data about the economics of IFAs are presented in a recent government report about both residential and foster care in Sweden (Swedish Government Official Report, 2023). Since we have found no systematic information available on profits within the IFA field, we draw on data from the adjacent field of residential care (Lundström & Sallnäs, 2019). While this is not an ideal solution, it is worth noting that many IFAs are part of companies that also operate residential care, highlighting the close connection between these two forms of care.

#### ***4.3. Data From Procurements and Framework Agreements***

In addition to the quality requirements established during licensing, quality monitoring is also conducted through procurement. This is often facilitated via framework agreements—arrangements between one or more municipalities and one or more suppliers. These agreements aim to define the terms and conditions governing the awarding of contracts at a later stage (for instance price per “bed” and type of additional service). A national framework agreement has been arranged through the central purchasing body ADDA, a company owned by Swedish municipal and regional authorities. In this article, we have analysed the procurement document for this framework agreement which consists of a 118-page document that specifies the requirements, criteria, and conditions for suppliers to submit bids or proposals.

#### ***4.4. Data From a National Survey Targeting Child Welfare Authorities***

A national survey was undertaken in 2020 concerning the child welfare authorities’ use of, and perspective on, IFAs. This was done in part to address the lack of knowledge regarding the dual roles of the authorities as both purchasers of foster care services, as well as ultimate guarantors of the sufficiency and quality of these services. The survey questionnaire was answered by social work professionals and managers in the Swedish municipalities (see Fridell Lif, 2023, for a more comprehensive presentation of the survey methodology). In this article, we use this survey to present data on child welfare representatives’ experiences of IFAs regarding the quality of their services. The response rate of the survey was approximately 85%, but a substantial group of respondents also used open answers option ( $n = 185\text{--}205$ , depending on the question). The latter does not allow for general conclusions but provides examples of the child welfare authorities’ expectations and experiences of IFAs and the foster care market.

### **5. Results**

#### ***5.1. IFAs on the Market: Development and Composition***

The use of intermediaries in foster care is not a recent development; such brokerage functions have existed previously in Sweden (Söderlind & Sköld, 2018). However, the modern precursor to independent IFAs is often traced to the “family care units” established in the 1980s within the field of substance abuse (Swedish Government Official Report, 2014). These units were tasked with recruiting and supporting foster homes for adults with substance use problems (Government of Sweden, 1982). Government reports from the time emphasised that these family care units should ideally be locally based and organised by social welfare boards or non-profit organisations (Ministry of Social Affairs, 1981).



Over time, similar initiatives were developed for children and youth, marking the emergence of an independent foster care market. Government reports provide insight into this development. In 1994, there were only “a small number” of units targeting children in Sweden (Swedish Government Official Report, 1994, p. 147). However, the market expanded, with an increasing presence of for-profit companies. By the early 2000s, approximately 10–15 organisations were offering independent foster care services; this number grew to around 70 by 2008 (Swedish Government Official Report, 2009) and approximately 100 by 2014 (Swedish Government Official Report, 2014).

In 2024, there were nearly 400 IFA units listed in the official register. Expanding the timeframe, as illustrated in Table 1, almost 500 units held a license at some point between 2021 and 2024. Analysing the ownership of IFA units, Table 1 indicates that 95% of the units are owned by for-profit companies, with the majority operating as small and micro-businesses. Approximately one in five (18%) is owned by large or mid-sized companies. The share of non-profit and municipally owned units remains small, at 5% and 1%, respectively. Over the investigated period, the market shares of these organisational types have remained relatively stable. However, there appears to be a slight increase in micro-businesses, from 45% in 2021 to 52% in 2024, possibly at the expense of small and large companies (data not shown in Table 1).

**Table 1.** Organisations that have upheld licenses for at least one of the years 2021–2024  $n = 499$ ).

	Percent of units
<i>Ownership of units that have upheld a license for at least one of the years 2021–2024</i>	
<i>For profit</i>	95
Micro-business (< 10 employees)	51
Small business (10–50 employees)	26
Large business (> 251 employees)	12
Mid-size business (51–250 employees)	6
<i>Non-profit</i>	5
<i>Public sector</i>	1
<i>Exited market 2021–2024</i>	23
<i>Entered market 2021–2024</i>	27
<i>Represented in the national framework: ADDA</i>	40

The total number of IFAs has remained relatively stable between 2021 and 2024, with 363 units in 2021 and 387 in 2024. However, this stability in total numbers does not reflect continuity in the specific units operating during this period. As shown in Table 1, the market is characterised by significant turbulence, with units frequently entering and exiting. Of the 499 units licensed at least once during the four-year period, only about half maintained their license throughout. Over this timeframe, 27% of units ( $n = 43$ –48) entered the market, while 23% ( $n = 26$ –53) exited. This turnover is not primarily due to license revocations but rather reflects the voluntary exit and entry of organisations.

Of the units licensed during at least one of the investigated years, 40% ( $n = 189$ ) are included in the national framework agreement managed by ADDA. This agreement allows child welfare authorities to procure services from these units. However, use of the national framework agreement is optional, and some authorities organise their own procurement processes, which helps explain why a significant percentage of



units operate outside the agreement. Participation in the national framework agreement appears to be associated with greater market stability. While only about half of all licensed units retained their license throughout the four years, approximately 70% of units represented in the national framework agreement retained their licenses during this period.

Based on information presented on websites, it is common for IFAs to be part of companies offering additional services, such as residential care and different types of open care. According to earlier research, many companies in the child welfare sector initially offered residential care before expanding their services to include foster home brokering and other related offerings. In market terms, this strategy can be understood as a form of product differentiation aimed at attracting a wider range of customers or creating a competitive advantage. Some of the larger companies in this sector have been characterised as care corporations, with foster care services being one among several products offered (Lundström et al., 2020).

In sum, the data on the IFA market reveal a field that has undergone significant changes over recent decades. What was once a responsibility managed directly by child welfare authorities has largely transformed into a market-driven system, with the recruitment and support of foster families now frequently facilitated by IFAs acting as brokers. The IFA market is marked by notable turnover, driven primarily by competitive dynamics as companies enter and exit. In an ideal market, competition would ensure that only the most competent providers remain, with less capable actors naturally phased out. However, in a quasi-market, various imperfections may impede this process (Lindqvist, 2008). For instance, information asymmetry means child welfare authorities often lack a clear understanding of how effectively services are being delivered. This issue is exacerbated by the fact that the service's ultimate beneficiary—the child—is not the direct purchaser, creating a disconnect between service quality and procurement decisions. The typical characteristics of credence goods, including restricted access to reliable information combined with limited consumer choice, suggest that the market does not necessarily retain the most capable IFAs. For child welfare authorities, the constantly changing pool of providers contributes to an ever-shifting market, which is likely challenging to navigate. While the national framework agreement (or a local equivalent) may offer some guidance in navigating the market, it does not significantly alleviate the difficulties posed by the information asymmetry inherent in procuring credence goods. This asymmetry means that authorities may still struggle to accurately assess the quality of services provided.

## **5.2. The Economics of IFAs**

It is highly challenging to gain a clear understanding of the costs associated with foster care provided by brokers such as IFAs. However, a public inquiry has noted that the daily cost of using IFAs is more than twice as high as the cost of foster homes directly recruited by child welfare authorities (Swedish Government Official Report, 2023, p. 220). Nevertheless, it is emphasised that the quality of the foster homes and the complexity of the issues faced by the children may vary between foster homes recruited in-house and those provided by IFAs. It is also noted that semi-professionalised homes provided by IFAs may often receive extensive support and supervision from the agency (Swedish Government Official Report, 2023).

The public inquiry further observes that the position of IFAs as brokers results in child welfare authorities “too often lacking sufficient control over both the quality of foster care and how the money they pay for it is used” (Swedish Government Official Report, 2023, p. 522). Consequently, it is impossible to determine what

proportion of the payment made by child welfare authorities to IFAs is directed to foster homes, how much is allocated to support during placement, or what is spent on other types of transaction costs. Furthermore, the level of profits remains unclear. The investigators' critique of the functioning of this market is, therefore, a concern. One of the proposals put forward is that reimbursement for being a foster home should be paid directly to the carers, rather than being channelled through IFAs (Swedish Government Official Report, 2023, p. 521). Whether this proposal will be implemented remains uncertain.

It is not possible, based on currently available statistics, to make definitive statements about profit margins within the IFA field. However, in the case of residential care, such an analysis is feasible. As noted, many organisations that offer foster care services also operate other types of services, often including residential care. Previous studies have shown that profit margins for residential care are high—around 20% on invested capital—compared to other welfare services (Lundström & Sallnäs, 2019). Obviously, it cannot be concluded that the profit levels of IFAs align with those in residential care. However, as both services broadly cater to the same target group and share similarities as credence goods, it cannot be ruled out that they are also comparable in economic terms. This underscores the clear lack of knowledge regarding the pecuniary aspects of this segment of child welfare.

### **5.3. Licensing and Procurement Requirements of IFAs**

For an extended period, the market for IFAs remained entirely unregulated. Licensing of IFAs was an issue of debate for many years (Swedish Government Official Report, 1994, 2005). In 2017, however, a licensing requirement for IFAs was introduced, with the rationale that this could improve the safety and quality of care for children in placement (Government of Sweden, 2017). As a result, all private organisations that recruit and support foster families are now required to be licensed by the National Inspectorate (IVO).

However, in practice, the licensing requirements are relatively minimal. To be granted a license, the staff must have “relevant higher education and experience for these tasks” as well as “personal suitability.” The establishment must also be sufficiently staffed to provide adequate support (National Board of Health and Welfare, 2018). The licensing process does not involve any in-person meetings between IVO and the applicant; the procedure is based solely on completed application forms and supporting documentation. There are no regular inspections of the IFAs, nor is there any evaluation of whether the prices for IFA services are reasonable. Overall, the pricing of this type of credence good is left to the market and its actors.

In the procurement process, child welfare authorities specify their demands for IFAs. The procurement documents handled by ADDA provide insight into the responsibilities and expectations regarding the content and execution of services placed on IFAs by the child welfare authorities. For example, providers must ensure compliance with relevant laws and guidelines, offer support and education to foster families, provide children with opportunities to have input into their care, and uphold human rights. Moreover, IFAs are required to refrain from using harmful methods, ensure that qualified staff are hired and receive ongoing training, and establish robust reporting and documentation procedures. They must also offer 24/7 telephone support to foster families and provide regular on-site guidance. The evaluation process for foster families conducted by IFAs is expected to ensure that recruited families are well-informed about the needs of the target groups and that they provide appropriate living conditions, meeting nutritional and safety standards. Additional requirements include IFAs' policies on substance use, as well as the children's rights to healthcare and education.

Some IFAs offer foster care with enhanced support for the placed child. These units are required to have more intensive support structures in place. For IFAs offering emergency placements, there are additional requirements related to availability, experience, and crisis management.

All in all, the procurement documents contain a more detailed list of demands than the licensing documents. However, similar to the licensing procedure, the procurement process is not based on in-person meetings or site visits. As noted earlier, effective control of a quasi-market necessitates regulatory activities, with licensing and procurement processes being crucial components. In the case of the IFA market, licensing was introduced late, and when implemented, it can, as demonstrated, be described as lenient. This leniency has resulted in a relatively low threshold for market entry, potentially contributing to the market turbulence discussed above. While the requirements outlined in the ADDA procurement documents are more detailed than those for obtaining a license, both licensing and procurement processes remain paper-based exercises, lacking precise standards for care. This approach allows considerable flexibility in responses. Addressing the information asymmetry inherent in procuring and licensing credence goods through such control activities is challenging, and economic incentives may encourage IFAs to misrepresent the nature of their services (cf. Forder et al., 1996; Lindqvist, 2014). Unlike residential care, IFAs are not subject to regular inspections, which further complicates the verification of whether they meet the outlined requirements in practice. Overall, the quality controls in this field include fewer conditions than those required for residential care, which itself has been described as a system that does not regulate care in a substantial sense (cf. Pålsson & Shanks, 2021).

#### ***5.4. How Is the Quality of IFAs Perceived by Child Welfare?***

In the national survey conducted in 2020, child welfare authorities were asked to indicate the top three reasons for using IFAs. The majority (75%) cited recruitment problems, while approximately a third of respondents pointed to the enhanced support provided to foster carers. Open-ended responses regarding the reasons for using IFAs ( $n = 205$ ) are illustrated in the following quote: “We place through IFAs when we do not find our own foster homes, or when the child’s needs demand special care.” Additionally, some child welfare units use IFAs to secure urgent placements and around-the-clock services for foster carers. IFAs are also perceived by some as offering more frequent contact or support for foster carers, especially when the foster home is geographically distant. Several respondents reported using IFAs as an alternative to residential care for children with complex needs (e.g., those with substance use or those subjected to honour-related violence).

Regarding the quality of foster homes provided by IFAs and the support offered to carers, the overall picture is mixed. The majority of the respondents rated the quality as being in the middle of the scale, and few reported very low or very high quality. In the open-ended responses ( $n = 185$ – $187$ ) concerning quality, the most prominent message is variation: “Very varied. Sometimes we are given suggestions of foster homes that we can immediately see are inappropriate, and we do not understand why the company is using that foster home.” Variations in quality are linked to both different agencies and individual staff members. Some respondents raised concerns specifically about for-profit IFAs: “There are large differences between companies; some are serious, while others are primarily focused on making money.” Several respondents noted that the homes provided by IFAs were of no higher quality than those they could recruit in-house. Additionally, a number of respondents remarked that IFAs had offered foster homes previously rejected by child welfare authorities.

Some respondents argued that the costs associated with using IFAs were not justified by the quality of services: “Unfortunately, low quality at a high cost.” Furthermore, regarding economic conditions, respondents suggested that IFAs may compete with child welfare authorities for foster carers by offering higher reimbursement rates. This is believed to be a key factor influencing foster carers’ decisions to contract with IFAs: “The companies offer much higher salaries than we do, who follow [central guidelines].” Additionally, child welfare representatives noted that using IFAs can impact services by limiting transparency and communication with foster homes: “Dialogue and transparency become more limited from the perspective of our supervising social workers, who would normally supervise, guide, and train the foster homes.”

In conclusion, from the child welfare authority’s perspective, IFAs can provide foster homes and address gaps in services, such as offering around-the-clock support, urgent placement options, and sufficient, geographically accessible assistance. Regarding the quality of IFA services, it is described as highly variable, with an unclear correlation between quality and costs (see also Fridell Lif, 2025).

## 6. Summary and Discussion

In Sweden during the 2020s, IFAs have rapidly emerged as a significant actor in a market that has become increasingly complex and difficult to navigate, and that is subject to various forms of regulation. Contributing to this complexity is the diversity of IFAs operating in the field. These range from large companies offering a wide array of welfare services, often including residential care, to small enterprises managing only a handful of foster homes within their portfolios.

Traditionally, foster care has been viewed as an activity in which “ordinary” families provide their services—taking a child into their home—to the child welfare authorities. The pecuniary aspect has long been a sensitive issue in this context, often framed as a dichotomy: “love or money.” In other words, are foster parents taking on this role for the sake of the children, or is it for financial gain? (Colton et al., 2008). That said, the foster care system can be seen as a market where sellers (foster parents) have long offered their services to buyers (child welfare authorities) and negotiated the price for welcoming a child in need into their home.

The entrance of IFAs in the field represents a form of radicalisation of the “love or money” dichotomy, since they, as private companies, also generate profits from foster care services. We have chosen to use the term brokers to analyse IFAs. In doing so, we aim to highlight the fact that the fundamental role of IFAs is to facilitate connections between child welfare authorities and potential foster families in a market where foster care is a limited resource. The costs generated by the use of IFAs for child welfare authorities are related to: (1) expenses for establishing the connection and drafting the contract; (2) compensation to the foster family; (3) payment for services—often support and guidance during the placement—provided by IFAs to the families and child welfare authorities; and (4) profits to private companies.

When compared to, for example, real estate agents, it is noteworthy that IFAs offer a broader range of services. While real estate agents’ services are typically limited to the first (1) and last point (4) above, IFAs’ offerings are, in most cases, significantly more extensive. It is also important to emphasise that, in addition to the direct service costs for child welfare authorities, there are also several transaction costs involved when IFAs are utilised. These include advertising expenses incurred by the companies, procurement-related costs affecting both the companies and child welfare, and so forth. In short, the establishment of these companies has not

only contributed to a radicalisation of the market dimension of the foster care field but has also added new types of costs.

One significant transaction cost related to the use of IFAs is monitoring. The services provided by IFAs can be described as credence goods, meaning that they are goods or services whose quality is difficult to evaluate, giving the seller an advantage over the buyer. Over time in Sweden, two main approaches have emerged to address the challenges related to monitoring these types of services: licensing and procurement. Licensing can be seen as a mechanism used by the central government to enforce basic requirements, such as educational qualifications. Procurement processes, on the other hand, allow child welfare authorities or their representatives to formulate specific demands for the services they purchase. It has been suggested previously that procurement and licensing often fail to have a substantial impact on service quality. Nonetheless, they mean additional costs for the state at different levels. Also, ultimately, it is the child welfare authorities who bear responsibility for the difficult-to-assess quality of these credence goods and who are held accountable should problems arise.

It is worth emphasising that assessing the quality of foster care is challenging, regardless of whether it is provided by private actors or by child welfare services (see, for example, IVO, 2017; Swedish Government Official Report, 2025). Furthermore, recruitment costs, such as advertising and personnel resources, are also present within child welfare services, even when recruitment is carried out in-house. Most child welfare authorities (90%) in Sweden utilise IFAs and consequently, but to varying degrees, have to deal with the challenges posed by this new type of organisation. Experience with the services provided by IFAs is mixed. Some authorities report that IFAs deliver services of good quality, particularly in cases involving the placement of children with severe and complex needs. Others, however, highlight variability in the quality of services offered by different IFAs and note a weak correlation between price and quality. A relevant question in this context is—specifically since IFAs fulfil a function that could, in principle, be handled directly by child welfare authorities—to what extent IFAs are adding value to the system and whether this potential value is justifiable in relation to the costs of the service. Nevertheless, it remains an empirically observable reality that IFAs supply foster placements to child welfare authorities, who frequently face challenges in recruiting foster families on their own.

Putting the Swedish IFA field in an international context, one can note that comparable broker services are in place in several countries and that there is a substantial presence of for-profit companies. However, there are differences, particularly regarding the structure of the IFA field and the mandates they hold in relation to child welfare authorities. A critical discussion of the pecuniary aspects and how this kind of market functions has been raised internationally, not least in England.

## 7. Implications

One concern that we think needs attention is that extensive reliance on IFAs likely leads to the dismantling of in-house resources for recruiting and supporting foster families. On the one hand, this can be seen as a way for child welfare authorities to reduce internal costs. On the other hand, it creates significant dependence on private companies, whose services are often difficult to evaluate and who may exit the market at any point in time.

Due to the shortage of foster homes, child welfare authorities may feel compelled to rely on IFAs for recruitment. Social workers often lack formal training in negotiating prices and evaluating the quality of services, as these are not traditional components of their education and practice. In a marketised system, they may need to balance child welfare concerns with financial considerations—a challenging task requiring new competencies, including financial literacy and contract evaluation skills. At the same time, IFAs can provide added value through broader negotiation opportunities, potentially covering enhanced services such as round-the-clock support and supervision. A specific problem is the lack of transparency in terms of pricing structure. The child welfare authorities are often offered a service at a specific daily rate, without further information on what portion of the price constitutes compensation for the foster family, costs for support to the foster family, the company's profits and so on. On the other hand, a shift back to in-house provision would likely not be feasible without additional investment in staffing and recruitment infrastructure. Furthermore, the implications of such a transition for the quality of and availability of foster care remain uncertain. Meanwhile, the future role of IFAs is difficult to predict, whether their presence will continue to grow, stabilise, or decline, particularly in light of potential regulatory developments within this field.

As for the implications for research, particular attention should be given to the relationship between quality and cost in foster families recruited by different types of agencies, including public child welfare services, non-profit organisations, and both small and large for-profit providers. While our focus has been on the Swedish context, we have observed both similarities and differences in comparison to other countries, for example, regarding the role and mandate of independent fostering agencies (IFAs), the state's monitoring processes, and the structure of the field. Accordingly, comparative studies could offer useful insights into how different systems operate.

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