

Providing 'Hard' Local Government Services in a Multi-Level, Multi-Actor System

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Introduction

In all Nordic countries, local government is the prime provider of public services to citizens and local communities. Predominant in terms of budgets and work force are 'soft' services, including school and pre-school education, and health and social services. For instance, in Norwegian municipalities these represent approximately 75 per cent of total spending (2015). In comparison, 'hard' services such as water supply, sewage disposal, waste management, housing and road construction/maintenance constitute a much smaller proportion of municipal budgets, about 10 per cent (2015). In Sweden, the corresponding figure is approximately seven per cent. Although the proportion of 'soft' versus 'hard' services varies across Nordic countries, the big picture is the same: 'soft' services consume most of the budget and workforce.

However, given that several 'hard' services are provided through municipal or inter-municipal companies, they are not necessarily included in municipal budgets, and are hence viewed as a smaller part of local government activity than is actually the case. For example, although Norway's electricity supply is primarily provided by companies owned by and paying substantial dividends to local government, it is not formally registered as part of local government. Some 'hard' municipal services are entirely financed by user fees in accordance with the principle of cost recovery financing, thus 'protecting' them from yearly competition for budget funds in municipal councils. Although included in the regular municipal budgets, a shielded economic position such as this probably reduces political attention and controversies concerning these 'hard' services.

The composition of tasks at the local and regional government levels varies somewhat across Scandinavian countries. At the regional level, for instance, the proportion of 'hard' services in Norway is higher than in Denmark and Sweden. In Norway (2015), public transport is the second largest activity of Norwegian counties, representing 33 per cent of the budgets (compared to 48 per cent for upper secondary schools/high schools), whereas in Sweden it accounts for only 9-10 per cent. Health care is the dominant regional sector in both Denmark (Økonomi- og Indenrigsministeriet, 2014) and Sweden, but in Norway this responsibility was transferred from the regional to the national government level

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in 2002. In Denmark, regions and municipalities cooperate on public transport and organise and operate it through five regional public transport authorities (PTAs), such as Moravia in the eastern part of the country (Sørensen, 2018).

To some extent, these factors may help explain why 'hard' services appear to attract much less attention from social scientists than their 'soft' counterparts. Sætren's (2005) extensive review of the literature on public policy supports this view, highlighting a clear skew towards research topics focusing on traditional welfare sectors: 38 per cent of the studies were on education, followed by 15 per cent on health, nine per cent on the environment and eight per cent on social sectors. Comparatively few studies have been conducted on 'hard' sector services such as water, energy, transport and waste (see also Hill and Hupe, 2002). More research on 'hard' services is consequently required.

The situation described above, and the limited amount of research that exists within these service areas, stimulated us to look for scholars in the Nordic countries to contribute to this Special Issue of *Scandinavian Journal of Public Administration*: we wanted to find out more about the extent and orientation of social science research on 'hard' municipal services. The general response indicates that this research is rather limited, although we acknowledge that the small number of manuscripts submitted to this Special Issue does not provide a representative picture.

In response to our call, we received nine papers for review, four of which were accepted for publication. Three focus on public transport and public road administration, while the fourth explores and compares strategies for developing environmentally-friendly housing.

In this brief introductory article, we first outline a theoretical framework seeking to provide an overall view and understanding of the four articles. Next, we use this framework to arrange the main arguments and findings in the articles. Finally, we present some ideas about further research on 'hard' local government services.

A Theoretical Framework

In most if not all countries, the setting for public service provision is a multi-level, multi-actor system. The provision of public services often involves more than one level of government, potentially creating challenges in coordination and accountability (Helgøy & Aars, 2008; Hooghe & Marks, 2003). The intention behind decentralising service provision to local or regional government is to encourage and promote better horizontal coordination, i.e. aligning responsibility, authority and resources to increase effectiveness, efficiency and legitimacy. However, in many cases more than one level is involved in the provision of a service, such as the construction and maintenance of regional roads (Krogstad & Leiren, 2019). In other cases, one level may affect the conditions for another's service provision, for example municipalities reducing the number of schools, thereby increasing the cost of regional public transport (Aarhaug & Rødseth, 2019). In addition, national government usually bears the authority to regulate service provision at lower levels through legal provisions, financial allocations and supervisory agencies. Depending on how the state utilises its power of vertical coordination, the capacity of municipalities and counties to develop and coordinate public service provision will be compromised. The tension that exists between horizontal and vertical coordination in multi-level systems seems to be a general phenomenon, a

coordination dilemma explained as “the impossibility of combining strong coordination of implementation processes at one level of government with strong coordination across levels” (Egeberg & Trondal, 2016: 579). Consequently, in order to make multi-level systems work, some type of balance has to be reached between these two coordination modes, termed Type I Governance (general-purpose jurisdictions) and Type II Governance (task-specific jurisdictions) respectively by Hooghe and Marks (2003). The processes of reaching such a balance are embedded in institutionalised political and administrative relations between the levels, defining the national government as the pinnacle of the power pyramid and regional and local government as lateral subnational entities, i.e. there are three government levels, while the hierarchy of power only comprises two. This means that whereas in principle national government may exercise unilateral power over local and regional government as long it does so within the limits of the constitution, the two subnational levels of government must reach voluntary agreements between each other through market or network mechanisms. Commercial or cooperative arrangements are quite usual, but sometimes, for example in the case described by Aarhaug and Rødseth (2019) in this Special Issue, municipalities or counties may prioritise their own interests. Furthermore, in practice national government often uses market or network mechanisms to supplement the hierarchy mechanism (Bouckaert et al., 2010/2016).

The public sector is not just a multi-level system where the lower levels implement national policies. Given that municipalities and counties are governed by democratically elected assemblies and hold separate legal personalities, they are actors with their own interests, authority and legitimacy. Although autonomy and self-rule are still important values and basic features of the Nordic local government model, the development of the modern welfare state has gradually led to the increased integration of the three levels of government. Public service provision may thus be described as a large and rather complex multi-level, multi-actor cooperative governance system. This also applies in the case of ‘hard’ services. The provision of these services may be even more complex than the provision of soft local services because they also tend to include public companies with considerable managerial and legal autonomy, private businesses and in some cases civic organisations.

The ‘hard’ sector comprises services that are essentially technical in character. For example, knowledge of how energy systems work and how transport planning affects urban design requires technical/engineering expertise. In such sectors, one often delegates some responsibility to planners or consultants because they hold a specific competence that general civil servants and politicians in local government normally lack. This knowledge asymmetry may weaken the political control of the ‘hard’ services. Organising these services at arm’s length from local and regional politicians, for example in municipal companies, may weaken their control even further. Hence, exclusive expertise can depoliticise the linkage to civil servants and politicians by turning fundamental political questions into technical ones (Hansson, 2010, 2011). In science and technology studies, this is referred to as the dichotomy of technical vs. political spheres (Beaulieu et al., 2012). Such a disjuncture must be considered when analysing aspects such as accountability, trust, delegation and political control in ‘hard’ sector services. Therefore, the public sector should also be viewed as a multi-actor system, albeit without denying the special position of

national government. Further, the multi-actor conception of the public sector extends beyond the multi-level structure of government. Indeed, it may include several autonomous or semi-autonomous actors operating within and across levels. Examples of the former are publicly owned companies providing services like airports, waste management, port facilities or public transport.

Many hard sector services hold large elements of contracting, often procured through competitive tendering. For example, in Sweden the public transport sector was opened for competitive tendering in the mid-1980s, and by 1995 approximately 95 per cent of bus services were procured in such a way (Hansson, 2011). In 1996, marketisation spread to electricity production, resulting in a restructuring of this market as well. Several small companies (often owned by municipalities) and power plants (owned by the electricity-intensive industry) were purchased by producers such as Vattenfall and various corporate constellations that later became Fortum and Eon (Konkurrensverket, 2018). Therefore, today municipalities and counties often use tender instruments and either partially or wholly contract out the provision of several 'hard' services to private actors, thereby including them in the public service delivery system.

In addition, there are numerous public actors working across levels, i.e. national agencies planning, supervising and sometimes also operating services at the local and the regional levels. For instance, national agencies regulate and supervise municipal water supply, and the same holds true for regional road construction and maintenance. Moreover, each country has a Competition Authority, which is a state agency working to safeguard competition and supervise public procurement in the relevant country. As many other services, hard sector services are subject to European Union (EU) regulation. Central here is the Competition Act, although there are also more specific acts pertaining to each service. For example, in the transport service sector countries must comply with the EU's Public Service Obligation (PSO) for Public Passenger Transport Regulation (EC 1370/2007) (Lieberherr et al., 2019).

If we add these features together, comprising multiple government levels and multiple actors, a rather complex context for local government service provision emerges, which poses considerable challenges for coordination and accountability. The intertwined responsibility relations between government levels, combined with corporatisation and the out-contracting of service provision at local and regional levels, have created a large and complicated service delivery system with inadequate transparency and opaque accountability relations. This is perhaps especially demanding in terms of 'hard' public services due to the competence gap between providers on the one hand and citizens, users and local/regional politicians on the other.

The Articles

In this section, we provide a brief overview of the four articles.

In their article titled "Coordination of regional transport policies: Insights from decentralization reform in Norway", Krogstad and Leiren (2019) explore the implementation and implications of transferring political authority from the national to the regional level on the maintenance and construction of roads. Out of 19 counties, 18 opted against establishing their own road administration largely because they lacked the necessary expertise and financial resources to do so. In addition, strict national technical standards reduced the counties' administrative discretion in road matters. Therefore, these counties left their

administrative tasks to the already existing regional subdivision of the national Public Roads Administration (Statens Vegvesen). Further, municipalities retain primary responsibility for spatial planning. Without a well-functioning collaborative network with the municipalities in their territory, counties may encounter some substantial stumbling blocks. Consequently, the 2010 reform contributed to political decentralisation and engagement, but it did not contribute to any major changes in how public transport and road matters were coordinated and administered.

Aarhaug and Rødseth (2019) address similar challenges of coordination between government levels. In their article “Does regular pupil transport influence the provision of public transport services? Evidence from Norway”, they highlight how through merging schools, municipalities may shift the resulting increased cost of pupil transport to the county, which is responsible for most public transport within the territory in question. For municipalities, and especially for those that are sparsely populated, school mergers are economically beneficial, whereas for counties these decisions may have significant effects on the public transport services they can provide. Although the authors conclude that “the increased costs faced at the regional level are, on average, less than the savings made at the local level”, they admit that this varies significantly depending on geography.

The third article regarding coordination challenges in multi-level service provision is by Lieberherr, Hansson, Leiren and Schmidt (2019), and is titled “Accountability adaptation and challenges: Contracting-out in the transport sector in Switzerland, Norway and Sweden”. In all three countries, public transport is controlled by the regional political authorities, but contracting-out models and thus accountability regimes vary. In Switzerland, the regional government of Bern governs the contracting-out process directly, leaving the operational transport provision to publicly owned private law companies. In contrast, the Norwegian county Telemark uses a more indirect contracting-out model, devolving the procurement process to an agency owned by the county. Having performed a tender, the agency then draws up contracts with private transport operators. Consequently, the model comprises two contractual relations, rendering the accountability regime more complex and opaque. The Swedish case is from the Kalmar region and the contracting-out model resembles the Norwegian case. However, in addition, Sweden has a free market concerning transport services, meaning that any transport operator may offer its services. Thus, in the Swedish model the regional government has the possibility to control the public transport tendering processes, but not the free market service providers.

Lindblad's (2019) article “Barriers in the public procurement process: Restricting long-term sustainable construction of wooden buildings” addresses the complex relationship between municipalities and private developers in new housing projects in Sweden within a setting of national regulative standards and procedures. In this country, the municipalities control the planning of new housing projects. Activities must abide by either the Public Procurement Act or the land allocation procedure depending on the relevant municipality's development strategy. The paper shows that there are discrepancies in how municipalities and developers perceive land allocation activities. For example, the municipalities see themselves as sellers of land and seek to influence the projects according to their strategic ambitions, which is not a procurement

activity according to the Public Procurement Act. The developers, who must provide a detailed proposal of their intended solution, including activities in the pre-acquisition/acquisition phases of the procurement process, do not share the municipal view. These issues, combined with the general independence of the 290 municipalities in Sweden, have engendered a complex situation with sub-optimisation for the developers. The article also shows that instruments that are usually perceived as promoting efficient activity, such as national standards, equal evaluation methods and a defined procurement procedure, actually act as barriers to the development of wooden multi-family houses.

Concluding Discussion

The articles published in this Special Issue present cases of both multi-level and multi-actor governance.

Krogstad and Leiren analyse a reform through which political responsibility for regional roads is transferred from the national to the regional government level. However, given that 18 of the 19 Norwegian regions lack the necessary resources and technical expertise, they are unable to establish their own administration for road affairs. Instead, they choose to rely on the regional division of the national Public Roads Administration. Officially, an important purpose of the reform was to increase coordination at the regional level between public transport (already a regional responsibility) and matters of road planning, construction and maintenance. As such, this may be viewed as an effort to strengthen the Type I Governance model described by Hooghe and Marks (2003), characterised by general-purpose, territorially defined jurisdictions (in this case the regions) at the expense of task-specific jurisdictions (road affairs), or so-called Type II Governance. Krogstad and Leiren's article illustrates the practical and political limitations of implementing a Type I Governance reform and the opacity and tensions arising from having to combine this with a Type II Governance model in practice.

In their article, Aarhaug and Rødseth explore how two levels of government – municipalities and counties – make their decisions as independent and separate actors, resulting in the externalisation of negative consequences and potential sub-optimisation. Given that the relationship between the two levels is non-hierarchical, they rely on voluntarily coordinating their decisions in order to avoid hurting each other's interests. In the study, the initiating parts (the municipalities) seem to be intent on reducing their costs by merging their small schools into larger units. The regions – which are responsible for public transport, including pupil transport – must therefore increase their costs, in turn stimulating them to reduce the scope and frequency of public transport more generally. Again, the problem seems to be how to combine territorial- and task-based authority. Consequently, Aarhaug and Rødseth's article illustrates how challenges emanating from the distribution of inter-related tasks between different government levels may intensify when the two levels operate as independent actors that are unwilling or unable to coordinate their activities.

Lieberherr et al.'s article explores accountability problems caused by involving multiple actors in the provision of public transport at one government level, the regions. In all three cases (Switzerland, Norway and Sweden), the regional governments provide the service through tender and contracting-out regimes. The Swiss regime of direct contracting-out to private law, publicly owned companies experiences the fewest accountability problems. In Norway,

the contracting-out regimes are indirect, involving specialised public, autonomous agencies, which take care of the tender processes and primarily contract-out to privately owned companies. In these cases, the accountability problems are significant due to the detachment of the service operator from the political authority. The Swedish region has recently re-integrated the agency into the regional government administration, although to date this has made little difference in terms of accountability. The article offers a clear illustration of the challenges in combining general, territorially based democratic governance with the provision of specialised market-oriented services.

Lindblad's article also involves only one level of government, the municipal level. The essence of the article concerns how municipalities seek to implement an environmental housing strategy through cooperation with private developers. Although it only involves two actors, cooperation becomes problematic where municipalities and developers hold opposing conceptions of their relationship: Who is the buyer, and who is the seller? The article shows that even in a case with only two actors, significant problems can arise if the rules of the game are unclear or if insufficient time is spent in advance to clarify inconsistencies.

The provision of 'hard' public services usually requires high and specialised competence, which may create specific challenges for their governance by democratic authorities. In addition, these services rely on expensive infrastructure and may cut across traditional territorial borders of municipalities and regions. Seen from a municipal or regional viewpoint, these services appear to require a territorial and population base larger than they can offer, rendering amalgamations or some form of inter-municipal/inter-regional cooperation necessary. Consequently, there is a more or less permanent tension between Type I Governance based on general-purpose jurisdictions and Type II Governance associated with task-specific jurisdictions. The first type implies a governance model consisting of few levels, such as those from the division between national, regional and local government. The second model may build on the first model when it comes to administrative levels, but often it does not. Both these models concern multi-level governance. When it comes to multi-actor governance, both cooperative arrangements and tender/contracting-out schemes seem to be quite widespread.

This Special Issue has a strong focus on the role of local government as a 'hard' service provider. In the future, we would like to see more papers addressing the challenges of exploring the management of the infrastructural systems that support these services. For example, many municipalities are struggling with increasing infrastructural maintenance costs. There is a permanent need to secure the running operational quality and capacity of the systems, as well as to modernise them in order to meet new environmental standards. We welcome more research on this theme. Infrastructural systems can also be addressed from a social-technical perspective, for example by studying difficulties in implementing changes or innovations due to interconnections between the different infrastructural systems within a municipality (Hughes, 1987). Thus, we also welcome more research on this theme. Finally, the issue of de-territorialisation and "local authorities at risk from technical networks" (Offner, 2000: 165) appears to be a related and highly relevant topic when studying 'hard' local government services. This development, while of course challenging our basic conception of local democracy, deserves more attention from social science researchers in the future.

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