Reorganizing the Welfare State Administration: Partnership, networks and accountability

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Reorganizing the Welfare State Administration:

Partnership, networks and accountability

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Prefaces

This paper is part of the ongoing evaluation of the reform in the Norwegian employment and welfare administration. The paper is part of working package no 1 in this evaluation named Welfare model, governance system and NAV (the Norwegian acronym for the employment and welfare administration). The paper has been presented at the workshop The shadow line of accountability, performance and control across public private, Venice 17–18 April 2008. We want to thank participants at this workshop for comments. We also want to thank Jostein Askim and Tom Christensen at the University of Oslo for conduction most of the interviews we use as our empirical material.
Summary

This paper addresses the big welfare administration reform in Norway. The reform is a merger of the employment and national insurance administrations into a new employment and welfare administration, combined with more formal collaboration between this new administration and the local government social services administration. A central component of the reform is the introduction of a mandatory partnership between central and local government. In this paper we argue that the partnership model chosen is a hybrid of hierarchy and network. A substantial dilemma in the partnership is how to enhance vertical accountability and control within the welfare state administration at the same time as sustaining the autonomy of local government in this policy area. The partnership model created to solve this dilemma represents a delicate and ambiguous balance, a balance first between accountability to the central government and the local council and than between sectorial and territorial specialization. The balance has yet to be tried out in practice.
Sammendrag

Introduction

This paper addresses one of the largest public-sector reforms in recent Norwegian administrative history. The reform – named the NAV-reform – is a merger of the employment and national insurance administrations into a new employment and welfare administration, combined with more formal collaboration between this new administration and the local government social services administration. The aims of the NAV-reform are to increase work participation and to make the administration more user-friendly, more holistic and more efficient. The merger of the employment and insurance administrations in Norway is rather unique. Such a big merger of two large welfare administrations has never taken place before. The NAV-reform is further complicated by the fact that the social services administration – a local government responsibility – is also included. A central component in the reform is thus the introduction of a mandatory partnership between central and local government. This is an innovation in the Norwegian political administrative system. Never before have central and local government co-operated as a partnership in the form of a one-stop-shop system (the NAV-service offices) at one geographical level. The reform can therefore also be seen as a «whole-of-government» or «joined-up» government initiative intended to increase the capacity of the political administrative system to address «wicked problems» cutting across existing policy areas and to improve vertical and horizontal coordination in the fields of policy and implementation (Christensen and Lægreid 2007).

Our main focus in this paper is the mandatory partnership model as a way of fulfilling the aims and intentions of the reform. We will particularly focus on the consequences of providing some of the most important services of the welfare state through an organizational structure which in many ways resembles a network. A central question will be how such a partnership challenges accountability relations in the political-administrative structure in Norway.

Our empirical data are a combination of personal interviews with central political and administrative actors and stakeholders, public documents and studies of both the central reform process and of the implementation of the partnership locally.

We will start by presenting our theoretical approach, focusing on the concepts of partnerships, networks and accountability. Second, we will give a brief outline of the Norwegian context. Third, we will present the partnership empirically by focusing on the following questions (Powell and Glendinning 2002): What is this partnership, and what is it intended for? Why has this partnership been established, and whose interests is it supposed to serve? Who participated in forming the partnership and who is involved in it? How is the partnership organized and how does it work in practice?

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1 The NAV reform affects around 20,000 employees in the involved agencies and municipalities. The services included in NAV cost about 30 billion Euros annually, and have about half of the Norwegian population as users or clients. Around 700,000 persons of working age are either wholly or partially out of work at any given time. A central precondition for the reform was that no employees in any of the three involved administrations should lose their job because of the merger.
Finally, using the answers to these questions, we will discuss the implications and consequences of the partnership by focusing especially on accountability issues.

**Theoretical approach: Partnerships, networks and accountability**

Partnerships have become a popular tool in the governance of welfare. They are designed to enhance collaboration and cooperation across boundaries in public services (Sullivan and Skelcher 2002, Glendinning et al 2002). Repeated efforts to achieve coordination are a main argument behind using partnership models in the public sector. Partnership is an umbrella concept that covers many types of cooperative arrangements (Grimsley and Lewis 2004, Linder 2002). Analytically this makes it an elusive concept because it is difficult to define precisely (Powell and Glendinning 2002). A minimum definition of partnership is that it involves at least two organizations with some common interests or interdependencies. Partnership is thus a joint working arrangement that requires a certain level of autonomy to determine or implement a programme. The arrangement involves a degree of trust, equality, reciprocity and also commitment. Central features of partnerships are lack of hierarchy and lack of cohesiveness. A common assumption is also that the involved actors have clear goals regarding the aims of the partnership. Normally the structural arrangements around the partnership are rather loose, but this might vary.

There are different kinds of partnerships. Mörh and Sahlin-Andersson (2006) classify partnerships along two dimensions – degree of formality and degree of permanence. We will add two further dimensions to these: the degree to which private actors are involved and the degree of voluntariness. Some partnerships can be very informal, time-limited, voluntary and with a strong private component. Others can be highly formalized, mandatory, permanent and with a weak private component.

Partnership is closely related to networks. Networks – particularly between public and private actors – have recently been introduced in most western democracies as a way to increase the capacity of the public sector to deliver services. The use of networks in political-administrative structures has, however, also been highly contested both politically and academically. Klijn and Sklecher (2007) distinguish between four conjectures on democracy and networks: an incompatible, a complementary, a transitional and an instrumental conjecture. The first argues that representative democracy and networks conflict; the second that networks support democracy by engaging a wider network of actors in the policy process; the third argues that governance networks are part of a transitional process from state-centric government to a network form consisting of decentralized nodes of authority; while the last conjecture is that powerful governmental actors increase their capacity to shape and deliver public policy in a complex world through the instrumental use of networks (Klijn and Skecher 2007; 598). This last conjecture challenges the ’governance without government’ thesis of Rhodes (1996) that networks are self-organizing, that the government is only one of many players and that there is a strong horizontal component in the networks (Bache 2000, Davies 2002). In contrast this instrumental conjecture implies that the central
government is a powerful actor that creates networks and partnerships in order to realize its projects, and that the networks can have an agency form, created in response to a national mandate to be a delivery arm for a national policy initiative that requires inter-organizational cooperation at the local level (Skelcher et al. 2005).

The NAV-reform is about changing the principles of specialization and the forms of coordination in the Norwegian welfare state (Christensen, Fimreite and Lægreid 2007). Different principles of specialization enhance different identities and conflict patterns in and between organizations and enable various networks to evolve among an organization’s members (Fimreite et al. 2007, Fimreite and Lægreid 2008). An organization specialized according to geographical area will encourage policy makers to primarily pay attention to particular territorial concerns. Specialization according to purpose, on the other hand, has a tendency to weaken relations that have been developed territorially, for example, based on geographical units such as municipalities and to strengthen standardization across territorial units. Redesigning sector specialized organizations into geographically structured ones will thus tend to transform sector conflicts into territorial conflicts (Egeberg 2001, 2006).

As a rule, modern polities are organized according to the principle of purpose, which makes them vertical in nature and characterized by strong sectors and weak coordinating mechanisms (Kettl 2003). This implies that vertical coordination within specific sectors may be good. The tasks of the welfare state, however, represent a complex and fragmented area of government, and a growing number of cases and problems do not fit into this traditionally sector structure. In political-administrative structures solving such problems is a challenge, mainly because it implies horizontal coordination between different sectors.

In the NAV-reform purpose (sector) and territory as principles of specialization are active at the same time. Three main tasks are involved – employment, insurance and social services – as are three levels of government: The NAV-service offices (one-stop shops) are situated at the municipal level, and the NAV-agency (the merged central government organization) has regional branches at the county level. In addition to the partnership model we here also have a multi-level governance system in which tasks are carried out at different levels of government, implying increased interdependence of public agencies operating at different territorial levels, often in a complex system of overlapping jurisdictions (Marks and Hooghe 2004, Bache and Flinders 2004). Tasks can rarely be treated independently of each other, the different levels have to collaborate, and coordination between levels is as important as coordination between sectors.

There are (at least) two approaches to analyzing coordination in such a multi-level system with overlapping principles of specialization (Morris et al. 2007, Lægreid and Serigstad 2006). One is the classical hierarchical view that assumes that work is divided by sector, often used synonym with purpose or tasks (Gulick 1937). Coordination is achieved by the use of hierarchy, legal authority and specialization of tasks and is a vertical internal process with clear lines of authority. Its strengths are related to vertical accountability, role specifications and handling of routine tasks. But such arrangements are also inflexible, difficult to change and less able to handle coordination with other organizations outside a given sector. This is a top-down approach based on the hierarchical model. Such a model presumes that the organization of the welfare
administration must begin at the top and be directed downwards, implying strong political control from central government. The idea of top-down coordination is derived from the notion that the organizations to be coordinated have already been identified by headquarters coordinators, that the relationship of these organizations to each other is well understood, that agreement has been reached about what objectives will be accomplished by altering certain of these inter-organizational relationships, and that the authority and means to alter these relationships exist. In other words, it assumes that having a hierarchy will facilitate implementation. The problem in the context of welfare administration, however, is that several of these assumptions are only partly fulfilled, and the problems of coordination do not lend themselves well to hierarchical direction (Wise 2002:141).

For complex, unstructured and rapidly changing problems, which, we have argued, are characteristic of the welfare sector, a network approach may be more suitable (Kettl 2003; Wise 2002). This approach understands coordination as the interaction of interdependent actors from different traditional hierarchical structures and from outside such structures. They pay less heed to formal top-down authority and relies more on negotiations and mutual adjustments and on bringing together organizations to pool resources and knowledge. This network model scores high on adaptability and flexibility, but accountability may be reduced and ambiguous, and steering may be more difficult.

A variant of this approach builds upon the idea of coordination as a contingent problem (Kettl 2003). What it is, how it works and how best to implement it depend on the nature of the issue, the nature of the organization and the nature of its employees. The adoption of standard, rational, hierarchical designs and practices is likely to be particularly unsuitable for organizations expected to operate in complex, unstable and unpredictable environments. Unstable environments require flexibility, rapid decisions and changes and thus create a need for greater decentralization of authority and less emphasis on formal structure, since it takes too long for information to travel up and down a rigid hierarchy. The key is to create systems that are versatile and flexible and are able to adapt to local situations. In this approach the focus is not on strong central control but on better ways of collecting and processing information – from the bottom up and from the outside in (Kettl 2003). Contingent coordination implies that separate and distinct actors at different levels of government, each with its own formal hierarchical structure, work collaboratively when the situation demands collaboration (Morris et al. 2007).

A third model, which can be labelled the hybrid model, combines the hierarchical and the network models. In this model there is a stronger supervisory and regulatory role for semi-independent central agencies, which is supplemented by a partnership model in each local employment and welfare office. Along the vertical dimension the central agency has a semi-autonomous status which represents more than `delegated hierarchy' from the parent ministry. The agency operates on the principle of professional knowledge and should be free from instruction by the cabinet or individual ministers (Christensen and Lægreid 2006). It carries out regulation using its own delegated regulatory power, resources and responsibilities. On the horizontal dimension this model tries to enhance overall responsibility for welfare state policy through local
partnerships with municipalities and also central framework agreements with the municipalities' interest organization. Thus this hybrid model gives statutory power to the central agency and some coordinating responsibility to a superior ministry and shares responsibility for welfare state tasks with the local authorities through a partnership model.

A main concern that arises when partnership is used within the public sector is the problem of accountability. Accountability is a multidimensional concept. The hierarchical model can be connected to a sovereign state model (Olsen 1988). The concept of accountability is here primarily related to hierarchical responsibility, underlining upward accountability to political sovereigns (Christensen and Lægreid 2002). The network or partnership models will make a model of strictly hierarchical responsibility from the top less applicable. A partnership model is more linked to what Olsen (1988) calls a bargaining state model. In this latter model there is outward accountability towards interest organizations and other stakeholders that participate in the partnership in an integrated manner. The capacity of a partnership to act is obtained at the cost of a loss of accountability of all the participants in the policy process. Partnerships need some level of independence but at the same time they shall be accountable upwards to politicians, horizontally to other agencies and local government and downwards to citizens (whether these are voters, clients or users). They thus have to face the challenges of political as well as administrative and bureaucratic, legal and professional accountability (Pollitt 2003). The bargaining state implies a process of negotiations within the partnerships which is difficult to penetrate and in which responsibility for the final outcome is often unclear.

In the complicated organizational structure chosen in the NAV-reform, mandatory partnership between central and local government is an important measure for coordinating processes as well as results between the involved agencies and actors. A central accountability issue is thus how the relationship between government and networks impinges on ministerial responsibility. It is generally accepted that ministries should be allowed to give some interpretative guidance to partnerships in how to carry out their tasks. This is expected to be general guidance and not directed at specific cases but in practice they allow rather strong governmental control. Partnerships might also weaken accountability to political bodies at the local level. A joint front-line unit is supposed to balance local accountability to the municipal council with vertical ministerial accountability. Weaker upwards accountability to the parliament and accountability to the local council may, however, be supplemented by stronger downwards accountability to users, clients and citizens. Partnerships scoring high on formality and permanence are constrained by procedural and substantive rules that define their discretion. Autonomy from direct political control does not automatically mean immunity from public accountability. Thus, responsiveness towards users and clients might become a substitute for accountability in the control of autonomous central agencies.

We will claim that networks as a coordinating mechanism in the chosen partnership model supplement rather than substituting for the traditional welfare state hierarchy (Verhoest, Bouckart and Peters 2007). One consequence of this is that accountability
relations are challenged. In this paper we will scrutinize this argument further, but first we will give a brief outline of the Norwegian context.

The Norwegian context

Norway is a unitary, parliamentary and multi-party state with a small population spread over a rather large geographical area. Since the early 1970s, it has been ruled by minority governments, but this changed in 2005 when a centre-left majority coalition came to power. There is a strong democratic tradition in Norway, and collectivist and egalitarian values are important. Consensus-orientation is crucial, the level of internal conflicts is low, and corporatist arrangements are well developed. Per capita income is relatively high and there is an abundance of natural resources. The level of labour market participation in Norway is high, also among women and elderly people. The unemployment rate is one of the lowest in Europe – 1.8 percent in February 2008.

Norway has a significant tradition of local self-government. Local authorities with their own elected democratic institutions have wide competencies. There are a total of 431 municipalities in Norway with an average population of around 10,000 inhabitants. The Norwegian welfare state is one of the most comprehensive and universal in the world, with a large public sector. In the Norwegian model welfare politics are mostly decided at the central level, but they are adapted to local needs and circumstances and implemented by local government. Local government is responsible for social welfare, elementary schools, care of the elderly and primary health care and thus constitutes a major part of the public sector both in terms of the number of employees and in terms of financial resources. National insurance and labour market administration have, however, been the responsibility of central government. The relationship between central and local government is a mixture of political decentralization, based on the principle of local autonomy, and administrative decentralization, based on the principle of delegated authority. Generally specialization by sector is very strong in the Norwegian central government administration. The sector ministries have a strong position based on the principle of ministerial responsibility. The same sectors have also dominated the political and administrative structures at local government level.

Political control over the civil service has been general and passive, allowing the executive considerable leeway. This seems to reflect high levels of mutual trust and shared attitudes and norms among political and administrative leaders, within the public sector in general and in the relationship between the central and local authorities (Christensen and Lægreid 2005; Fimreite et al. 2004). The level of trust in public institutions in Norway is generally higher than in most other countries (Norris 1999).

In Norway administrative reforms at the central level have generally neglected cooperation across sectors. Major reform measures, such as performance management, performance auditing, monitoring and control, have first and foremost been directed at the vertical, sector-based dimension of public administration (Christensen and Lægreid 2001). Other reform measures, such as structural devolution through the formation of state-owned companies and semi-autonomous regulatory agencies, have, however, increased fragmentation and challenged vertical coordination. As a result of these
movements, horizontal coordination between sectors has become more difficult at the central level. One consequence is that it is difficult to establish cross-ministerial cooperation in policy areas (Fimreite and Lægreid 2008).

By contrast, reform tendencies at the local level in Norway are more or less the opposite. In local government sectors have formally been merged and specialization principles other than sectoral have become more important. Local horizontal coordination has become easier, but at the same time the sector-based relationship between the central and local levels, so important in the Norwegian welfare state, has suffered (Tranvik and Fimreite 2006).

In the Norwegian welfare state, sectors divided by tasks or purposes have traditionally been an important mechanism for coordination between different levels both locally and centrally. However, when sector ceased to be the main principle of specialization at the lowest level, coordination between levels became a challenge. It is this challenge that the NAV-reform is intended to meet by formally integrating services that are both central government responsibilities (the employment and insurance administrations) and the responsibility of local government (social services administration). The multi-level aspect is further emphasized by the fact that different government levels have to coordinate tasks at the same territorial level and under the same leadership in the «one-stop-shop» arrangements in municipalities. This front-line service is supposed to be run as a central-local partnership regulated by local agreements. The partnership itself is, however, mandatory as it is based in law to which both central and local government are subject. Central government does not assume local government responsibilities or vice versa. The reform is therefore also an important component of multi-level governance (Christensen, Fimreite and Lægreid 2007). We will now describe the NAV partnership model in more detail.

The partnership model in NAV

*What is the partnership and why was it established?*

In 2001 the Norwegian Parliament (the Storting) requested that the government (a Centre-Right minority coalition government) should consider a merger of the three main welfare administrations – the insurance administration, the employment administration and the local social services administration. The government's proposal, which was based on the work of an inter-ministerial working group headed by an externally recruited researcher, was that the welfare administrations should continue to be divided into three parts (insurance, employment and social services), but a one-stop shop at the local level should be created encompassing the latter two services (St.meld.no 14 (2002–2003)). The Storting rejected this proposal, and the government set up an expert commission to elucidate anew the organization of the welfare state administration. The commission worked on four different models for a merged administration. Their final proposal (NOU 2004: 13) was however very similar to the one that had already been rejected. It stated that there should be one administration for
income and employment, one for pensions and social rights, and one for social services, and that the latter should remain a local government responsibility. The government was, however, reluctant to present the Storting with a proposal that was more or less the same as the previous one.

When the expert report was delivered, a new ministry had been established owing to inter-cabinet rotations. For the first time responsibility for both the insurance administration and for the employment administration was integrated into one ministry, and the laws regulating local governments’ social services administration were also part of this new super-ministry’s portfolio. Merging political responsibility paved the way for a coordinated effort to implement the reform. The minister in the new Ministry for Labor and Social Affairs was a former director of the National Insurance Administration, but he had also had experience as an executive administrative manager at local government level and been a director of the Norwegian Association of Local and Regional Authorities (KS). He signalled early on that he would not follow up the proposal from the expert commission. His priority was to build a user-friendly organization and to create a welfare administration in Norway that was oriented towards user-participation. To do this he advocated merging the administrations of insurance and employment at all levels, leaving intact the autonomy and tasks of local government, which implied that the social services administration was to remain a local government responsibility, and creating a joint front-line service in each municipality bringing together the merged employment and insurance administrations and the social services administration. The partnership model was introduced as a way of fulfilling these three goals.

The partnership model was an organizational innovation in the Norwegian political-administrative system that aimed to combine the principle of ministerial responsibility and a strong sector specialization on the one hand and the principle of local self-government and territorial specialization on the other hand. It was promoted as the missing link between local self-government and ministerial responsibility. There had been some minor experiments with partnership models between local and central government – for instance, in the area of public health – and also with local one-stop shops in the welfare administration on a voluntary basis, but without any great success. The government also looked to other countries, such as Denmark and the United Kingdom, for inspiration, where one-stop-shops operate the local employment administration and social services on the basis of partnerships.

The partnership model was intended to create joint operative solutions with two owners, the municipalities and the government agency. The solutions imply dual accountability relationships – upwards within the sector to central government and horizontally to the local government authorities. The model was based on the following principles:

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2 KS is the organization representing the interests of employers and municipalities. Nearly all municipalities are members. It is an advisory and consultative body that acts as a spokesman and represents the interests of its members vis-à-vis central government and the Parliament. It also advises and informs the municipalities about matters of importance to local government, facilitates exchange of experiences between municipalities and conducts collective wage bargaining on behalf of local government. But it has no formal instruction power against the municipalities.
• The partnership is compulsory by law and mandatory for all municipalities.

• There should be one welfare office in every municipality (there was also an opening for solution where two or more municipalities shared an office).

• The welfare office should be a joint front-line service implying co-location of the social services administration and the new employment and welfare administration (the amalgamated employment administration and insurance service administration).

• The welfare office could either have a joint management or a dual management arrangement – with one manager from the municipality and one from the employment and welfare administration (government).

• From the municipal side the welfare office should as a minimum include financial social assistance, financial advices, housing of homeless people and the right for each individual to have a plan worked out connected to social and welfare services.

This implies that the joint front-line office represents cooperation between the central and local authorities. It is a collaboration model. The one-stop-shops are based on fixed, regulated and binding cooperation between the central and the local authorities. The partnership will be laid down in local cooperation agreements, negotiated between the regional NAV-office and the individual municipality. The fact that these partnerships are not voluntary is an important component of the reform.

There is a trade-off in the partnership arrangements between central government's need for standardization and local government's need for local adaptation and flexibility. The central agency worked hard for a mandatory arrangement, for the principle of a unitary management model and for a standardized task portfolio for the local front-line office. This was not acceptable to the actors defending local self-government, such as the KS – which negotiated at the central level on behalf of the 431 municipalities and the Ministry of Local and Regional Government. In line with the Norwegian consensus-oriented policy-making style the result was a compromise: it was agreed that the arrangement should be mandatory, that the unitary management model should be recommended but a dual management model should also be accepted, that financial social assistance should be the minimum municipal task in the front-line unit, but that other municipal tasks could also be included in a specific local partnership. Thus the partnership arrangements avoided too much detailed top-down steering and allowed for local flexibility. The flexibility regarding which municipal tasks could be included and the flexible management model were both concessions to local self-government and corresponded with the existing Local Government Act, which grants local authorities a high level of discretion when it comes to organizational matters. The model was characterized by central top civil servants as a ‘sunshine’ or ‘fair weather’ model that would work well as long as there was consensus about means and ends between the municipal side and the governmental side in the NAV-office, but would run into a lot of trouble if there were conflicts between the local authorities and government bodies.
The basis for the local partnership agreements was a framework agreement at the central level between the government and the KS. This was the first time such a central partnership agreement had been settled between the government and the KS and was supposed to send an important political signal to the government agency and to the individual municipalities on the establishment of a local partnership agreement for the front-line service. Local manager-training and joint competence-enhancement programs were included in this central agreement. The central partnership differs from the local because it is not mandatory and because the KS cannot take decisions that commit the municipalities. The central partnership constitutes a consulting arrangement between the government and the KS, but nevertheless plays an important symbolic role. The presence of the central partnership is more important than the actual substance of it. 3

Who were the «founding fathers» of the partnership model?

The minister of the newly merged ministry for Labor and Social Affairs proved to be a clever political entrepreneur, who succeeded in getting active support from central civil servants in constructing the partnership model, in changing the government position through negotiations within the cabinet and co-opting the KS. The minister made great efforts to engage in a dialogue with the Storting. By garnering support from the Labor Party, which was the main opposition party, he managed to make the Storting more receptive to a solution that was not its first priority. He made a great effort to integrate the central stakeholders in the decision-making process and to involve the political parties at the Storting in informal consultations.

The partnership idea came up in a creative cooperation process between this minister and a few central top civil servants in his own ministry. A main strategy was to achieve joint understanding and agreement with the KS and also with the opposition in the Storting. The KS was involved in creating reference groups to counterbalance the dominance of central agencies favoring a standardized model that would limit the autonomy of the local authorities. The KS also played an important role in legitimizing the process in the municipalities.

The government proposal received the support of the Storting, even though it did not include a full merger. The standing committee for social affairs emphasized the challenges of merging two services with different cultures, goals and steering measures and pointed out the need for careful planning and implementation. Several of the political parties said it was imperative that the new model at the local level should produce better co-operation among the services, and they also stressed the user-friendliness and cost-efficiency aspects of the proposal. The Progressive Party, the right-wing populist party, proposed central government control of the merged services, including social services, but this proposal was not supported by any of the other parties.

3 This was also when the agreement between the KS and the Ministry was entered into the only practical way to do it. The employment and welfare administration was not yet established and the Ministry could not enter into agreements with all 431 municipalities.
Summing up, there was a strong political wish in Norway to establish a front-line service with an employment and welfare office in every municipality. A partnership between central and local government was designed to provide coordinated services better adapted to users’ needs and to replace the present system of three different offices in each municipality. That is why this partnership was established. A network of local offices would constitute a coordinated front-line service with responsibility for employment, sick leave, medical and occupational rehabilitation, disability pensions, financial social assistance, pensions and family benefits. Central government responsibility would be concentrated in one agency: The employment and welfare agency (NAV) which was to cooperate closely with the individual local authorities. That is what constitutes the partnership. The partnership was invented by a new minister in a new “super” ministry and his civil servants who were searching for a “Columbian egg solution” that would simultaneously establish a one-stop-shop in every municipality in which all three services were included and accept the present division of tasks and responsibilities between central and local government. That is who established the partnership.

NAV is a radical departure from the traditional employment and welfare administration, but it also represents a complicated arrangement of central–local government cooperation and division of responsibility. The formal division of responsibility between the central and local authorities has not changed in a fundamental way. The hierarchy is still there: Political responsibility for the national insurance service as well as for labor-market policy remains with central government, while financial social assistance remains a discretion-based, means-tested benefit under local politicians’ control. Both coordination between the three administrations at local level and the one-stop-shop idea, which is akin to a network, represent challenges for administrations/services and government levels accustomed to territorial as well as cultural distance. We now turn to focus on how this new system has been implemented and with what possible consequences.

How the partnership model has been implemented – experiences and potential effects

As a consequence of the Storting’s approval of the government proposal an interim organization for the new employment and welfare organization (NAV) was set up in 2005 and the new central agency was formally established on 1 July 2006. Legislative amendments providing for a new employment and welfare administration were approved by the Storting in 2006 (St.prp. no 46 (2004–2005)).

In October 2005 a Central-Left majority coalition government came to power and became responsible for implementing the reform. The plan is that the front-line service units (the one-stop-shops) based on local partnerships will be implemented in all municipalities by 2010. It is therefore too early to measure most effects of the reform directly. Nevertheless, we argue that it is of value to discuss the implementation of the reform and some preliminary effects, as well as potential effects and implications, both from a scholarly point of view, involving the more broad questions of principle, like balancing political control and institutional autonomy, and in more practical terms. It is
important to discuss the intended and expected effects on the main goals as well as possible unexpected side effects. The basis for discussing potential effects of the new structure includes findings from earlier studies of comparable reorganizations, the reform process itself and the organizational thinking behind it, the formal structural changes actually made, the challenges identified, and some early actual effects.

There seems to be a tendency in the reform literature to infer too easily from processes to effects (Christensen and Lægreid 2001, Pollitt and Bouckaert 2004, Christensen, Fimreite and Lægreid 2007). The assumption that the actual effects will correspond with the stated goals of political and administrative executives must, therefore, be challenged. As we have documented, the goals of the reform and the means-ends knowledge underlying it are ambiguous; in addition the reform may be modified and changed during the implementation process. Added to this is the attribution problem of isolating the effects of the reform from other economic and societal factors. All this makes the effect issue difficult to handle (Christensen et al. 2007). We will try to tackle this problem by combining a theoretical approach with insights into the process of reform and knowledge of the effects of other similar reforms.

So far about 130 local partnerships have been established based on local agreements. Most of these offices have unitary management, but there are also some with dual management models. Most of the managers come from the former employment administration or from the insurance service, but there are also some managers who are local government employees. There are substantial variations in what tasks the municipalities include in the partnership. Many municipalities have added tasks such as alcohol and drug prevention, housing, immigration, debt advice, psychiatric health care and child welfare. Some partnerships have also evolved their own specific aims for the local one-stop-shops in the agreements while others have not. It is obligatory for services included in the partnership to be co-located. Some one-stop-shops are also co-located with other local government services, but most of them are not.

Experience so far has shown that it is difficult to establish holistic, integrated and seamless services based on partnership at the local level because the traditional steering links to the central government and to the municipalities are still strong (Haugli Nyhus and Thorsen 2007). The hierarchy is still very much present. A study of the first 25 pilot offices indicates that the municipalities are rather satisfied with the NAV-reform so far, and the employees in the one-stop-shops are generally positive about the reform (Alm Andreassen et al. 2007). There has been no significant change in customer satisfaction. The study reveals, however, that the partnership model is challenging as well. Fifty percent of the political and administrative executives in the pilot municipalities are so far satisfied with the partnership, but only one third of the employees at the local offices characterize collaboration at the local level as satisfying. Achieving a delicate balance between top-down steering, demands, negotiations, dialogue and mutual cooperation both with the municipalities and with the external bodies is tricky. Another big challenge is the issue of competence, since respect for the municipalities and their competence has been rather weak. Cooperation seems also to work best in small units and in units with a unified management. One concern that is especially strong in the KS is that the local partnerships in practice will not be between equal partners and that the representatives
from the former employment and insurance administrations will act as “big brother”. One reason for this concern is that a local partnership is concluded between the regional NAV-office based at the county level and each individual municipality. But since there are at least 25 municipalities in each county this implies that the regional NAV-manager and his/her staff will soon become far more experienced than the municipality regarding the form and content of the partnership. Another reason for the concern is that tasks which are regulated as individual rights are about to be moved out of the competency of the one-stop shops and assigned to specialized government offices at the regional level. To avoid an erosion of the local offices the government has, however, decided that each one-stop shop should have a minimum staff of three positions.

The first results from the evaluation also reveal that among central civil servants there is a strong wish for more standardization in relations with local offices. Many of them report that the partnership model is an obstacle to efficient implementation of the NAV-reform. There is a tension between the need for local cooperation based on reciprocity and equal partners and top-down steering. To handle this tension a partnership forum has been established at the local level where the municipality is represented by the administrative executive manager (in some cases the mayor) and where the central government side is represented by the county NAV-manager. The partnership forum is intended to handle governmental steering initiatives and resolve conflicts between actors.

One question to be raised is whether this new administrative apparatus is likely to increase political control over the administrations and services involved or whether it will instead increase institutional and professional autonomy. The preconditions for more political control are certainly there. First, the Ministry of Labor and Social Inclusion has overall responsibility for two of the services involved, which means that co-ordination is easier than if the services had been divided among several ministries. Second, the two merged administrations are centrally based, while the social services are locally based, which would potentially give the central apparatus the upper hand, particularly if the NAV agency is closely controlled by the ministry. Third, the services being merged will have different structures, professions and cultures to cope with, something that does not point in the direction of increased institutional and professional autonomy. Added to this the government and municipal employees have different working conditions, wage agreements and personnel management systems, which has produced conflicts and tensions. However, if the process of creating a homogeneous structural and cultural service is successful, this picture may change.

The partnership model means that the central and local levels of government now operate at the same geographical level integrated within the same office. For multi-level governance in Norway this is a totally new experience. This new arrangement will probably solve some coordination problems such as between employment and insurance services, but it is also expected to create others such as between the local and central authorities. An independent local political level, with its own political bodies, now manages one third of the office, while the other two-thirds are managed by

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4 The Ministry changed its name after the centre-left coalition came into power in 2005 and it also expanded its portfolio to include immigration.
One impor tant stipulation of the reform is that whatever model or solution is eventually chosen for the organization of the one-stop-shop locally, it must be situated in one locality and as a main rule managed by one chief executive. This is new in Norwegian administration, and an important question is if and how it will affect the autonomy of local self government.

Another main aspect of the reform as a post-NPM reorganization is the effects of some of the main coordinative efforts made. The organizational thinking behind the reform is rather ambiguous, based on loose assumptions about the connection between the merger and relocation and the effects on services and users. One major question is whether the reorganization is overly geared to coping with multi-service users. While these users are indeed likely to be better off with a coordinated structure, the outcome of the merger for the remaining 85% who normally use only one of the original services may actually be negative. For these users the merger may create more complexity and confusion and hence a potentially poorer service. Thus, the new administration is likely to have a highly differentiated internal structure or it may even engage in new reorganizations to spin off some units that do not naturally belong together. One can of course hope for “smart practice» and seamless internal collaboration, but there is obviously a concern that operations may not run as smoothly as that (Christensen, Fimreite and Lægreid 2007).

One indication that the reform has been too encompassing is that the ministry and agency have decided to move a lot of people from the local NAV office working with pensions and other legally-regulated services to large regional units, suggesting that some tasks at the local level do not naturally belong together and that they do not need to be situated at the local level. This decision may make the local NAV-offices weaker because they will lose people and competence, but it may also make them stronger because the remaining tasks are easier to integrate and are subject to more local discretion.

There are also some question-marks concerning the one-stop shops and collaboration between the two merged administrations and the social services locally. Will the new collaboration be based on a common understanding about how to realize the main goals of the reforms, or will there be structural and cultural problems? One particular tension in the new structure that is not easy to resolve is that the newly merged employment and welfare administration is likely to attend primarily to national goals and standardization issues, while the social services are naturally closer to the culture and concerns of the local administrative apparatus, which will result in some divergence. Whether bringing the administrations together physically in local one-stop shops will have any effect on this is more of an open question.

Summing up, the partnership model in the NAV-reform is a public-public partnership. The model is mainly based on partnerships at the local level, but joined-up government at the central level is addressed to some extent by involving the municipalities’ interest organization (KS) in formulating a general framework through a central partnership agreement. The NAV-partnership is mandatory, permanent, formalized through contracts and agreements, and includes mainly public partners at the central and local levels.
The NAV partnership model therefore differs from a «classic» public–private partnership (PPP) in two essential ways: private actors play a minor role in the partnership, and it is mandatory. It is also based on rather strict formal arrangements. The similarities between the NAV-partnership and a PPP are that it is a close collaborative and contractual venture with some durability and it has been concluded between organizations that rely upon agreement between the partners in return for some positive outcomes for each participant and that provide citizens with public goods and services (Mörth 2007, Carroll and Steane 2000). Other overlapping features between the NAV-partnership and PPPs are that they are about power-sharing, and there is a common understanding that the partnership involves equal partners. We will claim that these features make the NAV-partnership a partnership although a special type of partnership.

Discussion

The NAV-reform process seems to have some special features that distinguish it from other large reform processes in Norway. One is that in a minority government situation the Storting has tried repeatedly to instruct the cabinet and ministry to pursue the idea of fully merging the three services. This is politically understandable, but unusual, since it is the prerogative of any government to organize its own apparatus. What is more, in trying to resist a full merger the political executive has engaged in a kind of symbolic tug-of-war with the Storting, and eventually succeeded. In other words the reform has brought a lot of ambiguity into the relationship between the legislature and the political executive. This has made the organizational thinking behind the reform unusually varied, tension-ridden and ambiguous (Christensen, Fimreite and Lægreid 2007).

Although the experts stressed that a merger was not a good solution, the political executive decided to propose one anyway, without having many good arguments for doing so. Normally reforms like this are based on the competence of experts, but on this occasion the political leadership had to propose something that the Storting could accept, even if it meant a complex and uncertain solution, and therefore did not listen to the experts. So the experts’ opinions were confronted by political logic. The result was a situation where the experts, the political executive and the Storting all insisted that their structural solution would further the main goals of the reforms, bringing further ambiguity into the process.

As a consequence of the Norwegian consensus-oriented style of decision-making there is a strong wish to come up with compromises that everyone can accept. This is done by building ambiguity into the chosen solutions that provides flexibility and room for different interpretations of the new models. In this case the solution represented something new, which has the potential to change the Norwegian ‘living’ constitution. In Norway the principle of local government autonomy is strong and hard to challenge. Therefore the partnership model between local and central government as an intermediate organizational form combining the principle of local self-government and the principle of ministerial responsibility was quite an innovation. What made it possible
was the ambiguity of the new principle; how it will be specified and practiced is, however, an empirical question. The partnership is thus the product of a strong belief in the present political-administrative structure in Norway combined with a simultaneously felt need to modernize this structure.

In a political-administrative structure based on a representative democracy clear accountability to the political executives is a central concern. An important question therefore is whether the NAV-reform will lead to more unambiguous and transparent accountability or whether it will instead produce an “accountability deficit” (Baldwin et al. 1998, Christensen and Lægreid 2006). In a representative democracy elected elites are answerable to the public. The desire to get re-elected acts as a disciplining force on elected representatives. Publicity and transparency are thus important for accountability, because the electorate needs information in the re-election process (Aars and Fimreite 2005:244). Partnerships and networks operate according to different standards. They are often self-elected, their decision-making is normally not as public as decision-making in representative political institutions, and they are not as formally organized as those (Aars and Fimreite 2005:244). To claim accountability in network structures is more challenging than in politically formalized institutions. These arguments apply not just to decision-making but also to service-delivery in a political-administrative structure. In the democratic power-chain the implementers and service-deliverers principally derive their mandate directly from the elected politicians and are therefore accountable to them. This accountability is, however, more administrative and audit-oriented than the accountability of politicians to the electorate, which also implies an aspect of moral responsibility (Christensen and Lægreid 2002).

For the NAV-partnership the question of administrative accountability is obviously relevant. At the same time the partnership model tends not to clarify lines of accountability. A key question in the partnership model is how one can have joint action, common standards and shared systems on the one hand, and vertical accountability for individual agency performance on the other. The challenge is to balance better accountability to central government, accountability to local council, and responsiveness downwards (Christensen and Lægreid 2007). Going back to Olsen's bargaining state model it implies a process of negotiation between different political and administrative executives and members of governing coalitions which is difficult to penetrate and in which accountability for the final outcome is often unclear. There is an inbuilt inconsistency in the NAV-reform. It claims to empower users and clients, free managers, enhance administrative accountability and strengthen political control both from central and local political bodies. But in reality it is difficult to achieve these things simultaneously.

The NAV-reform is in many ways built on post-NPM views of coordination and collaboration. Vertical coordination, meaning how the central government should secure control over the new services and standardize them, is important and can be based on a) political control, indicating a traditional, centralized structure, b) production, suggesting more devolution-oriented solutions and c) rights, for example making greater use of independent appeal bodies. When it comes to vertical accountability the relationship between the ministry and the central NAV-agency is of great importance. The organizational solution apparently envisaged here is a more traditional ministry-
agency relationship, where there is a balance between control and autonomy. Added to this is the internal vertical coordination inside the NAV-agency and the inter-governmental coordination between the central agency and the regional and local parts of the apparatus.

Horizontal coordination on different levels also has an impact on administrative accountability. The horizontal intra-ministerial coordination between the employment and insurance administrations and other areas in the ministry is no exception to this; neither is the inter-ministerial coordination between the employment and welfare administrations on the one hand and other related policy areas such as education and health on the other. Added to this there are also concerns about vertical coordination involving the mechanisms the ministry has to influence social services locally in the tension between sector-based and territorial specialization. The advantage here is that all the relevant areas now come under the ministry, potentially furthering coordination. The disadvantage is that the Ministry of Labor and Social Inclusion is huge, and the political leadership may have capacity problems. Whether the different levels of the NAV-agency will manage to coordinate employment and insurance services as planned is also an important question, as is local coordination with the social services inside the one-stop shops. At the very local level coordination with locally elected political and administrative executives is also a challenge (Christensen, Fimreite and Lægreid 2007).

Given that these decentralized nodes are responsible for the most important services in the welfare state, it is important for accountability that the partnerships are publicly visible. The NAV-partnerships have so far been rather transparent. The actors are known, decision-making is public and there are also procedures for appeal. In addition the attention of the media, researchers and also organized users is focused on the partnerships and their ability to deliver. To accept such public scrutiny is part of being accountable in a transparent democratic society, and it is important that politicians are involved in the partnership (Aars and Fimreite 2005:245). Mayors take part in the NAV-partnership locally, and at the central level the minister is also directly involved. Decentralized nodes as networks may be held accountable through the internalization of values and norms (March and Olsen 1995:154, Sørensen 2002). To create democratic attitudes in the partnerships is of great significance if they are to operate with the kind of publicity and transparency needed to enhance democratic accountability. To create such attitudes is mainly the task of the political authorities – at both the local and central levels (Aars and Fimreite 2005:245–6). The partnership is, however, a rather hybrid model given the structural constraints that constitute it and it is too early to know the balance between different accountability relations play out in practice.

If we relate the NAV-partnership to Klijn and Sklecher’s (2007) four conjectures on democracy and networks it is obvious that they bear most resemblance to what the authors call the instrumental conjecture. The central government has been a powerful actor in creating the partnership in order to realize its own project. The partnership has an agency form created in response to a national mandate to be a delivery arm for a national policy initiative that requires inter-organizational cooperation at the local level (Skelcher et al 2005). Powerful governmental actors increase their capacity to shape and deliver public policy in a complex world through the instrumental use of partnerships. It
might also be understood as a step in a transitional process from state-centric
government to a network form consisting of decentralized nodes of authority.

Summing up, the organization of the welfare administration constitutes a double
balancing act because it requires coordination between the responsible ministry and the
central agency and its subordinate bodies on the one hand and between the government
administration and the municipalities on the other hand. The partnership model is a
hybrid of hierarchy and networks. A substantial dilemma is how to enhance vertical
accountability and control within the welfare state administration at the same time as
sustaining the autonomy of local government in this policy area. To solve this dilemma
the partnership model was introduced, but it represents a delicate and ambiguous
balance between accountability to the central government and to the local council and
between specialization by sector and territory that has yet to be tried out in practice.

Conclusion

A public-public partnership has been established as part of the NAV-reform. The main
intention of this move is to make it possible to operate a coordinated welfare
administration through a one-stop shop at local level and at the same time preserve the
present division of tasks and authority between central and local government. As an
organizational phenomenon such a partnership is ambiguous and not well understood,
and how well it works in practice is an open question (Pollitt 2003). This kind of
collaboration requires a high level of trust and healthy and active relationships between
the involved partners to foster improved outcome (May and Winter 2007). There is no
evidence to conclude that the partnership model represents a more advanced form of
democracy than traditional representative democracy. One reason for this is that
accountability relations are more ambiguous in partnership/network structures than in
structures based on representative political institutions. There are less clear lines of
accountability for decision-making and service-delivery in partnership – and hence also
in the new Norwegian welfare administration.

The idea of a partnership that can cross territorial and sector based silos in the
welfare state system appears very attractive. Yet in the NAV-model the legal
responsibilities and local government responsibilities of a traditional vertical
organization are combined with an ambiguous partnership model with competing lines
of authorities. The managers in the partnerships are supposed to be multiply
accountable to their superiors in the regional and central NAV agency, to the local
council and political and administrative executives in the municipality as well as to users
and clients. Different actors are responsible for different aspects of joint activity and the
managers have several lines of accountability – towards the central government political
executives but also political accountability to the local government political executives.
Added to this they have legal, professional and bureaucratic accountability (Pollitt 2003).

Another problem is linking the sectoral objectives issued from the top down with the
local formulated targets in the municipalities. Unless cross-cutting local targets are given
equal status in the partnership with top-down organization-specific targets, the
partnership will have difficulty becoming a major tool (Pollitt 2003). Partnership models
have a strong positive flavour and are generally seen as a good thing. When partnership is on the agenda, it is, however, also important to pay attention to the fact that the “silo mentalities” these structures and reform initiatives are supposed to attack often exist for very good reasons (Page 2005). Well-defined vertical and horizontal organizational boundaries are not only a symptom of obsolescent thinking (Pollitt 2003). Very often they are justified by principles underlying our political structure, such as division of power, predictability, impartiality, rule-of-law, professional confidentiality and protection of privacy. Breaking these boundaries may pose new challenges to the political administrative system, but a more serious issue is perhaps that it may also change the way our democracy operates.

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