Challenges and effects of administrative reform –
Reorganizing the Norwegian welfare administration

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Reorganizing the Norwegian welfare administration

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Preface

This paper is part of the ongoing evaluation of the reform in the Norwegian employment and welfare administration funded by the Norwegian Research Council. The paper is part of the sub-project in this evaluation named *Welfare model, governance system and NAV (the Norwegian acronym for the employment and welfare-administration)*, headed by Professor Tom Christensen. The paper has been presented at the IPSA Research Committee 27 Structure and Organization of Government (SOG) conference: What can we learn about the transformation of the state in the age of multi-level governance? Paris 23 – 24 May 2008. We want to thank participants at this workshop for comments.
Sammendrag

Abstract

This paper addresses the effects and implications of one of the largest public-sector reforms in recent Norwegian administrative history. The reform is a merger of the employment and national insurance administrations in 2005 into a new welfare administration represented at the central, regional and local levels. At the local level the new merged administration will also collaborate with the municipalities through a partnership model regarding social services, which is a local government responsibility. This is done by establishing joint service offices in all municipalities. We examine first how the reform so far has addressed its three main goals, which are bringing people from welfare to work, increased user-friendliness and efficiency. We also examine possible side-effects by describing operational effects, process effects and system effects. Second, we examine to what degree implementation and effects of the reform can be understood from an instrumental perspective, a cultural perspective and an environmental perspective. A main lesson is that the context is significant for the results, that it so far is difficult to see clear results concerning the main goals of the reforms and that there also are some side-effects of the reform regarding process and system effects.
Introduction

In many countries pressure to increase the capacity and efficiency of governance has led to efforts to improve cooperation and coordination between the many different levels of government (Halligan 2007). While central government would like to exert more control over local activities and services and to standardize them, local government would prefer to enhance its autonomy in both a political, and an administrative and professional sense. Local administrators would like their activities and services to be based in local political and administrative units rather than being an extension of central control, policies and preferences. Different countries have chosen different types of balance between central control and local autonomy.

What now seems to be emerging is a new type of hybrid public organization in which local autonomy and central control are being enhanced simultaneously through a mixture of NPM and post-NPM measures (Christensen, Lie and Lægreid 2007). But the challenges of such multi-level governance systems are many. A central issue is whether it is really possible to combine different and in some cases incompatible central and local concerns and if so, what kind of instruments are required to do this. Another is whether professionals with differing backgrounds and on different levels will be able to adopt common norms and values, i.e. develop a new hybrid identity.

This paper addresses the effects and implications of 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/pension administrations into a new employment and welfare administration represented at the central, regional and local levels. At the local level the new merged administration will also formally collaborate with social services, which have always been administered locally. The NAV reform affects around 20,000 public employees in agencies and municipalities. The services provided under NAV cost about 30 billion Euros annually and serve about half the Norwegian population. Around 700,000 people of working age (of a total population of 4.7 million) are either wholly or partially out of work at any given time.

The aims of the NAV reform are to increase participation in the labor market and to make the administration more user-friendly, more holistic and more efficient. The NAV reform is the biggest merger of two large sectors ever to take place in Norway. It is made more complex by the fact that it introduces a mandatory partnership between central and local government in the form of a one-stop-shop system (the local NAV service offices).

A comparison of studies of public organizations in many countries and in particular of reform or reorganization processes reveals that reform processes are often characterized more by enhanced control of actors than by unambiguous organizational thinking and intentions (Christensen and Lægreid 2001, Pollitt and Bouckaert 2004). Often insufficient resources are allocated to acquire information about various possible organizational forms, their effects on society and the degree to which they have enabled goals to be achieved. A general impression is therefore that effects are assumed,
expected or promised but seldom well documented, so that reform practice is often at odds with reform rhetoric (Brunsson 1989).

The empirical focus of this paper is on the challenges, potential effects and tentative results of the NAV reform. Our first, descriptive research question is: How has the reform so far addressed its three main goals? These are: to get clients off welfare and back into work, and to create a more efficient and more service-oriented administrative structure. We also ask if the reform has had side effects on other goals and concerns, such as quality, democratic values, political control, impartiality, work environment or regional development. Our second and explanatory research question is: How does context affect the implementation and effects of the reform? To what degree and how do environmental, cultural and instrumental/structural context explain the implementation and preliminary effects of the reform? How can we determine what is the influence of the reform process and what is the influence of the new structural and institutional framework?

As for data, hard evidence is largely lacking, since the decision to implement the reform was taken fairly recently. We will concentrate on central respondents’ views and their tentative experiences with the reform so far but will also supplement these with data from a preliminary study of the local level (Andreassen et al. 2007). The discussion of the potential effects of the new structure is based on a number of sources: interviews with 43 central actors in the ministries, parliament and central agencies and other stakeholders; the findings from earlier studies of comparable reorganizations; and analyses of the reform process – its main actors and organizational thinking (Christensen 2008), the formal structural changes actually made, the challenges identified and some of the first practical effects.

To address the two research questions we outline a two-fold theoretical basis – on the on hand, analytical concepts for the categorization of reform effects, and on the other a transformative approach, which examines how instrumental, cultural and environmental features combine to produce a dynamic context. We continue by giving a brief description of the Norwegian reform context and the NAV reform itself. We then describe the implementation process and the perceived effects of the reform, thus answering our first research question. Finally, we use the preceding sections to address the question of how context affects reform implementation and effects and to draw some conclusions and examine some implications.

Theoretical perspectives

Measuring effects

There seems to be an overall tendency in the reform literature to infer too easily from intentions and goals to effects (Christensen and Lægreid 2001, Pollitt and Bouckaert 2004, Christensen, Fimreite and Lægreid 2007). The instrumental assumption that the actual effects will correspond with the stated goals of political and administrative executives must, therefore, be challenged. As has been documented (Christensen 2008), the goals of this reform and the means – ends knowledge underlying it are ambiguous;
in addition the reform may be modified and changed during the implementation process. What is more, it is difficult to isolate the effects of the NAV reform from the effects of other reforms taking place at the same time and from the effects of the labor market situation and the overall economic climate. Continuing to provide regular services to users and clients while at the same time radically reshuffling the whole organization is certainly a major challenge. All this makes the effects issue difficult to handle (Christensen et al. 2007, chapter 8). We will try to tackle this problem by combining a theoretical approach with insights from the reform process and the respondents’ experiences and views so far.

There are many criteria for evaluating the results of reforms, but these tend to be conflicting, unclear and unstable. In a political – administrative system like the Norwegian one, with a decision-making style traditionally characterized by political collaboration and a culture oriented towards consensus, divergent normative and political criteria often cause actors to seek compromises. This in turn contributes to goals becoming ambiguous and partly conflicting. The situation is further aggravated when the country is governed by a coalition or minority government, as was the case during the NAV reform process. This is not necessarily a sign of weakness but can be interpreted as characteristic of a democratic mode of steering in a pluralistic society. Often goals are deliberately unclear even when they are presented as clear in the rhetoric, like in some NPM-related processes (Christensen and Lægreid 2003). But it is obvious that unclear and partly conflicting goals will make it more difficult to measure effects and results.

There is also the problem of timing. When should effect studies be carried out? If effects are measured shortly after an initiative has been launched, the measurements will pertain mainly to the first phase of the implementation and adaptation process. As more time passes, the probability of revealing lasting effects becomes greater, but so too does the difficulty of isolating the effects of a specific organizational reform initiative from other reforms and changes that have occurred concurrently or in the meantime. This leads us to a methodological problem of effect measurement, namely, the problem of attribution (Pollitt 1995). In this paper we will examine the short-term, preliminary effects of the NAV reform. The long-term effects will be easier to assess once all the local welfare offices have been established in 2010.

Categorizing effects and results

Effects and results are slippery concepts with many different meanings (Pollitt and Bouckaert 2004:103). By effects we mean the consequences of organizational reforms, in this case the NAV reform. A distinction is often made between a narrow and an expanded concept of effects, and we emphasize both empirically. A narrow concept of effects focuses on intended or desired effects, or the connection between ideals and practice. In this case this would entail examining whether the reform has produced greater efficiency and user-friendliness and moved more people off welfare and back into work. Such an approach is a key component in an instrumental perspective. Effects are measured according to the model’s own preconditions. The question being asked is whether the new organization has in reality lived up to the intentions of the reform. Organizational
reforms are thus evaluated according to whether they effectively translate given goals into decisions, output and outcomes.

A broad concept of effects will also focus on dysfunctions, side-effects and societal and political effects, such as effects on political – democratic steering relations (Christensen et al. 2007). The view through this extended effects lens encompasses broader instrumental effects, as well as norms, beliefs and opinions related to institutional factors. It will therefore also be important to map the relationship between organizational forms and the development of meaning, conditions of trust, legitimacy, and levels and types of conflict in the new welfare state administration. In situations where the extended effects concept is deployed, uncertainty and ambiguity over effects grow, and interpreting how public-sector reforms function becomes all the more important.

It is important to distinguish between the effects on main goals and the side-effects on other goals that the reform initiatives were not meant to target (Hesse, Hood and Peters 2000). It is also important to distinguish whether the effects correspond with intentions, are counterproductive, or are neutral, in the sense of being neither positive nor negative. The optimal situation would be one where positive effects are achieved for the main goals, in a narrow sense, and there are also positive side-effects for other goals, but other combinations are more common (Christensen et al. 2007).

In this paper we use Pollitt and Bouckart’s (2004) classification of effects into three categories. The first is operational effects, which include such things as input effects on savings, efficiency and productivity; output effects on activity; and outcome effects on societal consequences and impacts for users and clients. The second is process effects. These include effects on service quality and processing time, on customer and client satisfaction, on performance orientation and on responsiveness and user-friendliness, but also shift in administrative culture and changes in staff motivation, satisfaction and cognitive frames. The third category is system effects. By these we mean effects on the capacity of the political – administrative system, such as structural changes in system interaction and communication, capacity building, changes in political control, steering capacity, coordination, accountability, legitimacy, trust in the system and power relations.

These effects are interconnected. We will not analyse these types of effects in a broad manner but certain aspects of them. The three main goals of the reform can be assigned to two of the categories: efficiency and getting people from welfare to work are operational effects related to input, output and outcome, while user-friendliness is a process effect. In addition, side-effects and dysfunctions can also be classified according to these categories. While process effects have a more internal focus, system effects address how the reform affects the broader political – administrative system. The effects of the reform on accountability issues are crucial (Fimreite and Lægreid 2008a). Who should be held responsible for poor results and who should be rewarded for good results? Do politicians try to take the credit for good results, but pass responsibility for bad results on to the organizations that actually carried out the work?
Understanding reforms

We have so far presented a theoretical framework that makes it possible to categorize the effects of the NAV reform. Our intention, however, is not just to describe effects but also to explain why these effects take place. For this we need theoretical perspectives that help us understand how reforms are implemented and with what outcome.

From a hierarchically-based instrumental perspective one would expect reform behavior and results to be influenced by changing organizational forms or structures, as well as by demography and physical structure (Egeberg 2003). According to an instrumental perspective an ideal presupposes a tight connection between reform visions, goals, programs, initiatives, organizational forms, implementation and effects. Effect measurement and evaluation may show whether organizational forms and initiatives function as planned and point out eventual weaknesses that need to be corrected. A key hypothesis is that formal structures influence and channel attitudes and actions (Simon 1957), so when the formal structure changes through reforms, the models of thought and actions will change accordingly. Moreover, it is assumed that organizations have adequate information about the effects of different organizational forms and initiatives. A reform is supposed to score high both on political – administrative control and on rational calculation (Dahl and Lindblom 1953), meaning that the reform agents have the power to implement the reform and are also well informed about means-end relations. The challenge is thus to demonstrate how much and in what way these expectations and hypotheses are fulfilled, in this case in the NAV reform. Can we identify connections between implementation and preliminary results and the new, complex structural context?

Instrumental perspectives hardly see effects and results as problematic, but in practice public servants are limited in their ability to learn from experience (Simon 1957). When it is claimed that organizational structure influences participation, patterns of collaboration, attention, conflict relations, balance of power and the ability to innovate, it is simultaneously emphasized that results can be uncertain and imprecise. Two factors make it particularly difficult to gain full information and insight into results and their implications. To begin with, public organizations are clearly limited in their capacity and ability to receive, deal with, store and make practical use of information. Secondly, in many cases special interests are vested in the information, allowing it to be used strategically.

From a negotiation-based instrumental perspective, one would expect evaluation and effect measurement to be used as political ammunition in a power struggle between different actors and groups (Cyert and March 1963, March and Olsen 1983). Information is seldom neutral. Interests, values and trust relations influence interpretations of what is considered important and reliable knowledge. There will therefore be antagonisms and conflicts over a public organization’s knowledge-base, particularly if it is heterogeneous or finds itself in a heterogeneous environment. Compromises may be worked out, making it less clear what to expect of effects but potentially increasing support for a reform or reorganization (Mosher 1967). Are there negotiation features in the NAV process that clearly influence the implementation and effects of the reform?
From a *cultural perspective*, decisions to introduce new structures or initiatives may encounter rejection, resistance or sluggish implementation because they are on a collision course with informal norms – understandings and traditions that have long dominated an organization (cf. Selznick 1957). Effects will therefore potentially not be obtained, and decisions will loosely couple with implementation and results. The reform has to pass a compatibility test (Brunsson and Olsen 1993), implying that reform elements that are at odds with existing administrative cultures and traditions may easily be rejected; and there might also be path-dependencies, making it difficult to leave the paths of practices, procedures and organizational structures developed over time (Krasner 1988). A partial and pragmatic implementation of reforms may also result from cultural resistance. So the question is: What aspects of cultural features or the cultural context will influence the implementation and effects of the NAV reforms – and to what extent and in what ways?

An *environmental perspective* divides the environment of public organizations into two; the technical environment and the institutional environment (Meyer and Rowan 1977). The *technical* environment often refers to actors in the environment that an organization has close relations with and on whom it is dependent for obtaining resources, for decision-making and for the provision of services. Major changes in such relations, or any more general kind of crisis in the technical environment, such as an economic crisis, may result in reform (Aberbach and Christensen 2001).

The *institutional* environment concerns reform trends, myths and fashions in the environment that influence internal reforms (Røvik 2002). The emphasis is more on using evaluation and result measurement for the purpose of legitimacy, but also in order to shape and change people’s attitudes and impressions. The longer the tradition of an organizational form, or the longer it has enjoyed hegemony and been accepted as the best and most effective form, the less need there will be to examine its effects. If there is broad consensus in the environment on the best form of organization, it may be unnecessary to examine the effects of alternative organizational forms. Although the reforms have apparently been carried out, in reality, decisions and their implementation are decoupled from practice and action. In such situations evaluations will often have a symbolic function. We will analyze how the technical and institutional environments as contextual factors may influence the implementation and results of the NAV reform.

Before we address the results and effects of the NAV reform more specifically we will give a brief outline of the Norwegian reform context and the reform itself.

### The Norwegian reform context and the NAV reform

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. Collectivist and egalitarian values are important, consensus-orientation is crucial, the level of internal conflicts is low, and corporatist arrangements are well developed (Christensen 2003). Per capita income is relatively high and there is an abundance of
natural resources. The level of labor market participation in Norway is high, including among women and elderly people. The unemployment rate is one of the lowest in Europe; in February 2008 it was only 1.8 percent.

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 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 policy is decided mainly at the central level but 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 the labor market administration have, however, traditionally been a central government responsibility. 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 regional and local government levels.

Political control of 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 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, reflecting strong sectoral administrations. Major reform measures have first and foremost been directed at the vertical, sector-based dimension of public administration and paid less attention to horizontal coordination problems between policy areas and sectors (Christensen and Lægreid 2001). It has been difficult to establish cross-ministerial cooperation between policy areas (Christensen and Lægreid 2007a, Fimreite and Lægreid 2008a).

In the Norwegian welfare state, functionally divided sectors present at both the local and central level have traditionally been an important mechanism for coordination between different levels. The NAV reform is intended to meet the challenges both of strong sectors and multi-level governance by formally integrating services that are in some cases central government responsibilities (the employment and insurance administrations) and in others the responsibility of local government (social services administration). In 2005 the Storting merged the administrations of insurance and employment at all levels. It also stipulated that the autonomy and tasks of local government should not be altered, which implied that the social services administration was to remain a local government responsibility. A joint front-line service was to be created in each municipality, bringing together the merged employment and insurance administrations and the social services administration. The partnership model was
introduced as a solution that could help achieve the three main goals of the NAV reform without upsetting the balance between local and central government responsibilities and autonomy (Fimreite and Lægreid 2008a).

The introduction of the partnership model was an organizational innovation in the Norwegian political – administrative system. It aimed to combine the principle of ministerial responsibility and a strong functional 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. The model was intended to create joint operative solutions with two owners, the municipalities and the ministry or government agency. The solutions imply dual accountability relationships – upwards within the sector to central government, but also to the local government authorities. The model is more specifically based on the following principles:

- The partnership is compulsory by law and mandatory for all municipalities
- There should be one welfare office in every municipality
- The welfare office should be a joint front-line service implying co-location of the social services administration, the employment administration and the insurance administration – the latter two forming the new NAV administration.
- The welfare office can have either a joint management or a dual management arrangement – with one manager from the municipality and one from the government.
- From the municipal side the welfare office should as a minimum include financial social assistance.

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 partnership arrangements therefore avoid too much detailed top-down steering and allow for local flexibility, thereby making them more legitimate locally. 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 but would run into trouble if there were conflicts between the local authorities and government bodies.

NAV represents a radical departure from the traditional employment and welfare administration, but it also represents a complicated form 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. 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 different administrations at local level and the one-stop shop idea 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 preliminary effects.
Implementation, experiences and preliminary effects

An overview of the implementation

As a consequence of the Storting’s approval of the government proposal, an interim organization was set up in the fall of 2005 to prepare the formal establishment of the new employment and welfare organization (NAV) on July 1 2006. Legislative amendments providing for a new employment and welfare administration were approved by the Storting in 2006 (St.prp. no 46 (2004 – 2005)). The plan is that the front-line service units, based on local partnership agreements, will be in place in all 431 municipalities by 2010; so far (April 2008) about 140 have been established. It is thus too early to measure most effects of the reform directly at the local level. 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, but also concerning how the reform may turn out in practice. It is important to discuss the intended and expected effects on main goals as well as possible unexpected side effects.

There seems generally to be strong loyalty to the reform, and actors at different levels are trying to implement it in line with the reform principles laid down. On the central level, the reform created a traditional ministry-agency relationship, although in practice the relationship during the first year of the reform has been closer, because the reform is a politically highly salient issue. So the ministry has played a more hands-on role than usual, particularly concerning the implementation of the reform, but also in ensuring the normal provision of services. There are indications now that this is about to change. Merging the central parts of the employment and pension administrations seems to have run more smoothly than establishing the local welfare offices. One crucial question concerning the NAV agency is how the NPM-related 1:3 ratio split between a strategic agency – the NAV agency – and a more operational unit, denoted NAV operation and development (Norwegian abbreviation NDU) is functioning. NDU can be seen as an agency within an agency. Although many supported the model so as to avoid too large a central agency, many respondents questioned whether the interface between the two units was optimal, especially concerning where to allocate certain tasks and responsibilities, such as the development of welfare policies and programs, and whether the relationship worked well in practice. The purchaser-provider split is not easy to cope with, although long-established personal networks seem to have eased the implementation.

At the local level most offices established so far have unitary management, but there are also some with dual management models (Andreassen et al. 2007). 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 prevention of alcohol- and drug-abuse, 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.

At the regional level administrative units with special competencies have now been established. These units are to handle services defined as individual rights, primarily concerning pensions. Establishing such units suggests that some tasks at the local level do not naturally belong together and that they do not need to be located at the local level, which would reverse the original intention behind the partnerships. It is estimated that around 80 percent of all NAV tasks are of that sort. The one-stop shops are frontline services where discretionary decisions are to be taken, while the new regional administrative units handle more standardized tasks.

The costs of implementing the reforms are very high. New offices need to be built in 431 municipalities and one-third of the NAV staff of about 20,000 employees will have to move to another workplace or change their tasks. In 2007 alone the government spent approximately 150 million Euros on implementing the reform. Thus the transaction costs and the administrative costs of the reform are huge.

**Operational effects**

The reform agents hope for an efficiency gain brought about by the economy-of-scale effects of the main merger of sector organizations and by the specialization and streamlining of tasks. But the goal of increased cost-efficiency seems so far to have received less attention than the other two main goals. This probably reflects the Norwegian tradition of weak focus on redundancies when major public reforms are implemented, a principle that was also adhered to in this reform. Rationalization of human resources is an aspect of NPM ideology that is contested in Norway. The ministry decided in 2005 that (1) no one employed in the labor or pensions administration prior to 2006 should lose their job as a result of the NAV reform, (2) there should be a one-stop NAV office in each municipality and (3) that each office should have at least three employees. Regional policy has always been important in Norway, and specifying the exact number of employees at each local office must be seen as part of this policy.

The establishment of new administrative units for pensions and other specialized back-office tasks was partly based on efficiency arguments. Some respondents claim these units have realized efficiency gains already, while others say they have so far devoted more attention to moving personnel, merging cultures and developing services than to increasing efficiency.

In addition the problem of ambiguous responsibility lines, a lack of unified steering relations, unclear interfaces between agencies and organizations at different levels, and a generally rather complicated administrative model may mean that efficiency gains are less spectacular than those expected or promised by the reform agents. Another
precondition for increased efficiency is suitable ICT solutions, and there seems to be a long way to go and a lot of money to be invested before this is achieved.

Regarding the second goal of the reform – getting people off welfare and into work – it is also difficult to identify any clear effects as yet. An important aim of the NAV reform is to bring people into the workforce who are in marginal employment situations but who have a realistic possibility of getting a job if they get adequate support from NAV. If NAV is not able to make a difference for such groups, the reform has been a failure according to a central respondent. There is a strong expectation that NAV should be able to bring some of the 350,000 on disability benefits and the 40,000 unemployed back to work. Given that Norway is currently experiencing an economic boom with very low unemployment, the conditions are optimal for achieving this goal. What is more, the country actually has a labor shortage in some sectors, so bringing more people into the workforce is highly desirable. This must also be taken into consideration when effects are evaluated. Without a booming economy and a low unemployment rate it would probably have been difficult to implement the NAV reform at all. So if one wishes to study effects of the NAV reform, there is an obvious attribution problem. It is very difficult to distinguish the effect of the NAV reform on an aggregate level from the effect of the present situation on the labor market and of the general economic boom. Another problem is that not all users of NAV are to be brought back into the labor market. Pensioners and some people on social welfare will never return to work, so these groups must be excluded before effects can be measured.

If we take a closer look at the two goals in question here – achieving more efficiency through a renewed organization and at the same time getting people back to work – several of our respondents in the NAV agency complain that the political pressure to establish the expected number of NAV offices and specialized regional units has had a negative effect on services and has thus hampered the goal of getting people back to work.

**Process effects**

As in many reforms, in the NAV reform too there are loose assumptions about the connection between the chosen solution (here the merger and relocation) and the effects on services and users (Christensen 2008). One major question is whether the reorganization is overly geared to coping with the 15 percent who are 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 percent who normally use only one of the original services may actually be negative or at least somewhat more challenging. 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, as seen with the new regional pension units. 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, Finreite and Lægreid 2007).

A key indicator of fulfilment of the goal of increased user-friendliness is how well the newly established local one-stop shops function. So far there has been no significant
change in customer satisfaction, as shown in a study of the first 25 local welfare offices (Alm Andreassen et al. 2007). Generally our respondents at the central level thought the new organization was more user-friendly. There have, however, been some critical media reports concerning the user-friendliness of the reform. This is partly a structural challenge, because the newly merged employment and insurance services will have one set of formal structures, law, rules, tasks and personnel (eventually two when implementing the reform), while the locally based social services will have a different one. Some central challenges are developing control measures and incentives to further local collaboration between the two forms of services, establishing participation channels for users locally, and balancing the simplified procedure for applying for services and assistance against the actual results of these applications.

One really big challenge of the reform is to make the ICT systems of the three administrations compatible. So far it has proved very difficult to merge these systems into an integrated and standardized joint system. The problems of streamlining the ICT systems can affect both the efficiency goal and the user-friendliness of the reform.

A further process-related issue is the establishment of the new regional administrative units for pensions and other specialized tasks. This might be seen as a re-specialization in the sense that process is being introduced as a specialization principle in addition to geography and sector or tasks (Fimreite and Lægreid 2008b). The idea is that these regional units will process cases in a more just, consistent and standardized way than the local NAV offices would. The regional specialized units also have a role in the realization of the user-friendliness goal, for it is crucial that the interface between NAV offices and the regional back-office units works smoothly. If transactions between these levels are slow, users will experience annoying delays in case processing and the NAV reform will be perceived to have worsened user-friendliness.

One further process-related challenge mentioned by many actors in this process is the cultural one. How easy is it to merge a judicial culture (insurance and pensions) designed to deal with individual cases in a routine, rule-based way with a modernized employment culture embracing a broader range of social science competencies and more complex problems, and then to expect it to cooperate with a local social services culture based on local knowledge and a client-oriented discretionary approach? Employees from the three different mother organizations belong to different welfare professions and they have different opinions about which problems are relevant and which solutions are appropriate. This may cause problems of trust between employees at the local offices.

To develop a new NAV identity as a process of institutionalization will, however, take time and so far there are only weak indications that this is happening. Training is an issue here. Both the government proposal and the Storting’s decision envisage local training of managers and the development of local professional competence and culture as part of a more systematic human resources management strategy. But the issue of competence is still a big challenge that seems to have received relatively little attention in the implementation process. A separate NAV education or training system has not been planned, although competence is stressed as an important factor. Competence in some units seems to be fragmented and fragile, and there is a need for more common methodologies, working methods and ways of thinking. The idea is that much of this
can be achieved through on-the-job training. Another problem is that respect for the municipalities and the competence they offer has hitherto been rather weak. However, if the process of creating a homogeneous structural and cultural service is successful this picture may change.

In addition to this challenge, the motivation of the staff may be affected by the reform process itself. As mentioned above, no one needs to fear losing their job, but staff may be given different tasks or relocated. This can be stressful and reduce motivation. A further complication concerns those who were employed in the national insurance administration. Some respondents claim that some of these staff feel that the reform’s focus on getting people back to work has made this a central issue in the local NAV offices and that their own skills and experience have been devalued as a result. For this reason many, but not all, former national insurance employees have moved to regional back-office units.

To sum up, the expected process effects of the NAV reform are better adjusted services for multi-service users and a distinct NAV competence and culture. These effects may, however, be accompanied by other undesirable side-effects: The strong focus on multi-service users, for instance, may make the system more complicated for single-service users. Different ICT systems, or rather the lack of one integrated ICT system, may affect the process negatively, as may the identities, cultures and competencies from each of the merged or collaborating administrations if these are not integrated.

System effects

One especially strong concern 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» in their new and strong central agency role. It is hard to fulfil the ambition of creating partnerships where the partners are truly equal, even though most of the respondents on the central level emphasize that they wish to do so. But respondents at the local level are still afraid that the merged government services will dominate the local partnerships.

One reason for this is that top – down steering has been pretty strong. Respondents report that the central agency has been too dominant and that this has reduced local autonomy and self-governance. Experience so far has shown that it is difficult to establish holistic, integrated and seamless services based on partnerships at the local level (Nyhus and Thorsen 2007), since the dual hierarchies are still very much present. A study of the first 25 pilot offices indicates that the partnership model is perceived as challenging from the local level. Achieving a delicate balance between top – down steering, demands, negotiations, dialogue and mutual cooperation both with the municipalities and with external bodies is tricky.

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 respondents report that aspects of the partnership model are an obstacle to efficient implementation of the NAV reform. To handle the tension between different levels, a partnership forum has been established at the local level. In this forum the municipality
is represented by the administrative executive manager (in some cases the mayor). The central government side is represented by the county NAV manager. The forum is intended to be a kind of board for the local partnership.

Even though this forum may imply a situation where both partners are equal, the fact is that the partnership has to operate in a situation where the central government and the municipalities have different budget systems, co-determination systems, working conditions, wage agreements and personnel management systems, and where they work according to different laws and rules, even though strong efforts have been undertaken to make them more equal, standardized and compatible. This situation has produced management problems as well as conflicts and tensions both between the different labor unions and between civil service unions and government employers. Opinions differ over whether the power of the unions has been weakened or not, depending on the responses from different actors with different points of departure.

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 central political control are certainly there. First, the Ministry of Labor and Social Inclusion has overall responsibility for the services involved, which means that coordination 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 or monitored by the ministry, as indicated by many respondents. Third, the services being merged will, as shown, have different structures, professions and cultures to cope with, which does not point in the direction of increased institutional and professional autonomy. But if local cooperation and standardization eventually emerge this will certainly act as a counterweight to central control.

The NAV reform is in many ways built on post-NPM views of coordination and collaboration (Christensen, Lie and Lægreid 2007). Vertical coordination, meaning how central government should secure control over the new services and standardize them, is important and is based on a balance between; a) central 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. The ministry should control the agency at arm’s length according to the NPM principle of using rules and regulations to steer indirectly and at a distance. In practice, however, it proved difficult to live up to this principle of autonomous agencies. In addition there 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.

In the 2007 state budget NAV was allocated about 30 billion euros, which is close to one third of the entire budget. The ministry has not only been involved in strategic issues, but also in individual cases and small issues, so there has been much more
control over detail than originally planned. There are many different tools and channels, both formal and informal, for steering and control, and there are a lot of steering signals of both a general and a more specific nature. Not only the ministry, but also the Storting and the National Audit Office are developing control routines and practices regarding NAV, such as performance auditing. It is still too early to early to know how these conditions will affect NAV, but we expect that the intention of ‘more steering in big issues and less steering in small issues, and using rules and regulations to engage in more indirect steering, will be difficult to fulfill. It should, of course, also be mentioned that the NAV central agency has important resources and competencies that may help to secure its autonomy.

Horizontal coordination at different levels also has an impact on administrative accountability. The horizontal intra-ministerial coordination between the new NAV agency and other areas of 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 of 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). Local leaders may try to allocate a lot of local tasks to local welfare offices in order to save resources, or else they may try to restrict local participation in the offices in order to preserve their autonomy.

There are also internal challenges in the NAV agency concerning steering and control. A main idea was to have a rather small and strategic central agency and to establish a large, internal, semi-autonomous operating and development unit with special responsibility for ICT issues (NDU) that would be run according to an NPM-inspired purchaser-provider model as a kind of «agency within an agency». This development from a cooperation model to a purchaser model has, however, been rather difficult to implement and there have been management problems and unclear responsibility relations at the interface between the central NAV agency and its own semi-independent sub-agency, producing some frustration in the NDU. There are problems of influence and ambiguous interfaces and responsibility relations between the NDU and the NAV agency.

Accountability is a central concern in a political – administrative structure based on a representative democracy. A central question is therefore whether the NAV reform will make accountability unambiguous and transparent or whether it will instead produce an «accountability deficit» (Baldwin et al. 1988, Christensen and Lægreid 2006). Accountability is a central concern and a key question in the partnership model. How can one have joint action, common standards and shared systems, on the one hand, and
vertical accountability for individual agency performance on the other. The partnership model tends not to clarify lines of accountability. The challenge is to achieve a better balance between vertical accountability to the central level, accountability to local authorities, and responsiveness to users (Christensen and Lægreid 2007b). 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.

The main intended system effect of the NAV reform is a well functioning partnership between central and local government in service provision. This can, however, be challenged by side-effects: The degree of equality between the partners is one challenge here. The division of labor between the administrative levels in the future is another, and a third is the problem of coordination in an organizational structure as complex as the partnership model. Added to this one can also expect system effects – and therefore also side-effects – connected to accountability. Not only administrative and legal accountability are at stake in the partnership model but also political responsibility for some of the welfare state’s most important services.

Discussion

After describing some main effects using our theoretical distinctions, we will explore the second research question – namely, how the different environmental, cultural and structural contexts help to explain implementation and thereby the preliminary effects.

The NAV reform can first be explained in terms of an instrumental perspective, in which we look at the structural context of reform. Early in the process, there was a distinct and almost unanimous request from the Storting to merge the employment, insurance/pensions and social service administrations (Christensen 2008). There seemed to be a rather clear feeling that such a merger would produce a more efficient, holistic and user-friendly welfare administration and that as a result more people would be brought into the workforce. The Storting perceived a close connection between means and ends and it was therefore expected that operational, process and system effects would be the ones that were intended. In fact, however, the Storting did not have a very clear idea of how to obtain some of the expected effects and its organizational thinking was general and rather loose. For several years the government resisted such a solution and eventually came up with a compromise that was a kind of partial merger, i.e., merging the employment and pensions administrations and establishing a local, mandatory partnership with the locally based social services. This compromise made the structural solution even more complicated.

If we look at the NAV reform structure at the central level, what speaks in favor of the new structural context delivering on the three main goals of the reform? First, there may be efficiency gains in the central merger of the two sector administrations, potentially yielding a more streamlined and more smoothly run welfare administration apparatus. In addition, the ministerial mergers of 2003 and 2005 eventually established the Ministry of Labor and Social Inclusion as the body holding central political responsibility for all the three sectoral administrations involved. It is too early to tell
whether these structural pre-conditions will increase efficiency in practice, and this also depends on coupling the reform with work at the lower level. The simple fact that nobody has lost their job as a result of the reform will certainly modify these potential effects, particularly efficiency gains.

The second question is how the central organization of the reform will create more jobs or get people receiving pensions or welfare benefits into the workforce. One can argue that the mergers at the ministerial and agency level will create more homogeneity, capacity and direction as a precondition for more concerted efforts. The real test of this would have been if Norway were in a rather bleak economic period with high unemployment, but the opposite is the case, smoothing the reform at this point. It is therefore difficult to draw any conclusions about the structural effects on employment. Third, it is even more difficult to see how central structural changes will increase user-friendliness. The only argument might be that the central merger is a precondition for local coordination, and that the reform has caused the central level to focus on local partnerships and one-stop shops.

For most actors the crucial test of the reform will be how the new local partnership model works. The actual local organizational framing of the reform can primarily be seen as the result of negotiations between central and local government. These negotiations in themselves were rather instrumental, but in the compromise solution the connection between means and ends has become rather blurred. One consequence is that the local structure is rather complex, and the effects must be judged according to a combination of standardization (mandatory partnership and physically organized together) and variety (concerning leadership model and local tasks that may be included).

So in what ways can this new complex local structure potentially deliver on the main goals of the reform? One might expect efficiency to improve as a result of economies of scale and by bringing experts together at one location, so that more cases can be processed using the same resources, but an analysis of whether this is actually the case has yet to surface. As already mentioned, efficiency gains may be hindered by keeping all the employees. More collaboration between the different services may benefit multi-service users and may result in more people returning to work, but this must be weighed up against a possible increase in complexity for one-service users. As experience with one-stop shops in other countries seems to indicate (Halligan 2004), coordinated services could definitely increase user-friendliness, but this could be counteracted by increased local complexity. In addition user-friendliness becomes irrelevant if the content of the service is poorer.

One important side-effect of the reform is what effect it has on political control. Hence a main challenge of the new structure is to find a balance between central control and local autonomy. Overall the new structure seems to further dominance by the center, owing to the ministerial and agency merger, and it seems to create an asymmetry in the relationship, even though central respondents emphasize that their goal is to achieve balance and a partnership between equals. Using a catch-phrase from old imperialist theory one could say that there is a strong probability that ‘the center will penetrate the periphery through the center in the periphery’ – the local welfare offices. The results from the pilot study and the views of our respondents seem, however, to
indicate a mixture of satisfaction and tensions, thus confirming the old wisdom that changes in organizational structure always have dual effects (Gulick 1937). Employees are apparently satisfied with the new structure because the increased collaboration it offers goes some way towards resolving the former problem of fragmentation, and this applies to users as well. The central respondents thought the local solution functioned relatively well, but, like the local employees, they also saw the presence of a strong consolidated central agency and its resources at the regional level as a challenge, because it posed a threat to local autonomy and raised issues of local compatibility and standardization concerning wages, working conditions, personnel policy, etc.

It is not uncommon to modify or change a structural solution chosen in public reforms during the implementation process. This applies to the NAV reform too concerning the establishment of regional administrative units related to pensions, which involved moving personnel up from the local level. The effects of this structural change seem to be two-fold. On the one hand, it undermines local resources and makes especially small local welfare offices more vulnerable. On the other hand, the user-related work locally, particularly the discretionary part, becomes somewhat clearer by giving more attention to multi-service users.

There are also obvious some negotiation features of the effects and implications. Compromises in the goal formulation phases tend to produce ambiguities and new bargaining in the implementation process and thus making it less clear what to expect of effects. The establishment of local partnership arrangements challenges the preconditions of equal partners and tends to favour the more powerful governmental actors. There are also tensions between different central governmental actors and interests such as professions and civil service unions and government employers.

The cultural perspective also provides insight into the tentative consequences of the reforms, also in a dynamic relationship to the structural elements. Merging or increasing collaboration between different administrative and professional cultures is always a challenge, and the NAV reform is no exception. There are indications that this process is running more smoothly at the central level than at the local level. While the local attitude to collaboration is one of good will, collaboration is hampered by the different legal, wage and personnel traditions as well as by different professional cultures. It is no easy task to merge these cultures and create a new professional identity, while at the same time implementing a demanding reform. These challenges seem to be easier to deal with at the central level, partly because there are only two cultures merging, but also because the activities are more general and strategic and less operational.

So what are the implications of these features for the main goals of the reform? Concerning efficiency, one could say that real local collaboration between professionals is a major precondition. If the three former administrative units, with their different cultural traditions, continue to follow their structural and cultural paths, this is likely to result in complexity, conflicts and inefficiency. The goal of getting more people into the workforce must also be closely tied to cultural co-evolution and collaboration, particularly with regard to multi-service users. Achievement of the goal of increased user-friendliness must be judged according to how clients see the one-stop shop. While a seamless service resulting from the gradual development of a common culture might be an advantage, people whose needs are simple and who only need to use one service
may not be particularly happy about ‘their administration’ being absorbed into a more common NAV culture.

Concerning the environmental perspective and the technical environment, one of the goals of the reforms – more people entering the workforce – is clearly made much easier to achieve by a favorable labor market and the very low unemployment rate in Norway. Although many respondents think that the reform is instrumental in this respect, they admit that this is rather difficult to prove. The reform is also dependent on a good relationship and collaboration between many actors and institutions, e.g., with other sectors like health, and between employers and unions, if the main goals are to be fulfilled. One could say that if pressure from the technical environment had been stronger, the reform might have run into much more trouble in seeking to achieve this goal.

One could also say that, in terms of achieving a balance between political control and institutional autonomy, the reform is very much characterized by technical external pressure, whether from the Storting or from the political leadership. Since it was the Storting that originally initiated the reform, it has obviously been following it very closely and is concerned both with achieving the main goals and with the resources used to do this. As described, the political executive is also following both the implementation of the reform and the daily work of the new organization pretty closely, making the technical pressure strong.

The institutional environment is also of relevance for the effects of the reforms. During the process two main concepts – ‘one administration’ and ‘partnership’ – acquired a symbolic status. Both these concepts were somewhat ambiguous, particularly the first one, but both helped to make the reform possible and politically acceptable. The concept of partnership stood very strongly for a more holistic and better coordinated organization. During the implementation of the reform these concepts retained their symbolic value but they also became more problematic when put to the test in reality. This applies particularly to the concept of partnership, which implies a balance between two equal partners, whereas in reality this has proved difficult to achieve in a situation where the central ministry and the NAV agency seem to have the upper hand.

Conclusion

There are no simple recipes or one optimal organizational solution for achieving a better-organized welfare state administration. One important reason for this is that the context is significant for the results. The new welfare state administration represents a wide spectrum of functions, tasks and target groups, and it operates in different administrative structures and cultures and under different external conditions and circumstances. In each case the mix of goals and values is different. It is, therefore, very unlikely that one single set of organizational forms or management models will work everywhere, at all times and in all situations. One reason for this is that the contexts and environments of public organizations differ. This is partly taken account of in differentiated local solutions, which allow for a wide variety of experiences. The overall
complexity in structure and culture we see in the NAV reform is partly due to the reform process, which resulted in a compromise, but it also represents an attempt to take account of differences in tasks and client groups.

Clearly the context of the welfare state administration is important for its mode of operation and for achieving results. The three perspectives we have followed emphasize the significance of context in different ways. An instrumental perspective underscores the significance of political and administrative signals for steering and conscious structural design. A cultural perspective directs attention to the influence of organizational traditions and professional and organizational cultures on the internal context, while an environmental perspective underscores the significance of the external technical environment and of the institutional environment in which organizations function. The problem is that the influence of these contextual factors is general rather than specific, which gives few directional lines for concrete action in specific cases. We also warn against excessive optimism as regards learning, although there is robust knowledge about the effects of certain structural solutions for public organizations (Egeberg 2003).

Unambiguous cause-effect relations are certainly seldom in social science. There are no controllable experiments where one can straightforwardly read off objective results. Rather than assuming that political and administrative leaders will act in accord with a planning ideal, we should ask questions about how a leadership functions in situations where it lacks the time and capacity to give full attention, where goals are unclear and where there is doubt about the best means of achieving them as well as about what the outcome will be. Politicians do not always need clear goals but rather models of steering that can be deployed when goals are unclear. This raises the question of whether there is a need for goal-free evaluation, where performance evaluation is not limited to one pre-determined goal but also takes into consideration consequences for other areas and other goals. Often one learns how the world looks from the standpoint of a given policy model, but if the underlying model is wrong the learning will be futile. We must learn not only whether the organizational form functions in accord with the underlying model, but also whether the model itself is founded on faulty or sound assumptions.

If we, from an instrumental vantage point, define effects narrowly – for instance scientifically tested effects of the final results of administrative reforms – the public-sector reforms that have taken place over the past decade would not have needed results in order to energize continuing reform efforts. This is no surprise from a symbolic point of view, for it emphasizes the myths and rhetorical aspects of reform. Perhaps the most important effects of reform work have been the changes in the way we speak about public organizations, which indicates a cultural shift in our understanding of what public organizations are and how we expect them to function.

Measuring effects is an important but difficult activity that indicates a desired direction for development. Used with wisdom, and keeping in mind the limitations and conditions, effect studies could make an important contribution to finding out more about how public organizations function. Although a difficult and challenging activity, this does not mean one should stop studying effects and results. Firstly, if evaluations were not carried out, how would it be possible to find out whether public organizations and initiatives are functioning? Secondly, it is naive to suppose that evaluations provide
final answers that are immediately implemented by eager politicians and administrative leaders. Many other factors besides administrative reforms will also influence how public organizations and initiatives are evaluated, interpreted and changed. Thirdly, evaluation and measuring results can be difficult, but this does not mean they are not worth trying.

The Norwegian consensus-oriented style of decision-making means that there is a strong wish to come up with compromises that everyone can accept. This entails building some ambiguity into the solutions chosen, so there is flexibility and leeway for different interpretations – in this case of the new model of the welfare state administration, and more specifically the partnership solution envisaged by the NAV reform. In this case the solution represented something new that has the potential to change certain fundamental principles of the Norwegian constitution. These are the principle of independent local self government and the principle of ministerial responsibility, both of which are strong and hard to challenge. The partnership model introduced by the reform as an intermediate organizational form combining these principles was thus an innovation. This was made possible by the ambiguity and the symbolic character of the new model, and it is an empirical question how it will be specified and practiced.

Coming back to the main research questions, we can conclude that context, whether instrumental, cultural or environmental, is significant for the results shown related to the reform. It’s too early and overall difficult to conclude, based on the preliminary effects, whether the reform has fulfilled the main goals of the reform, even though it’s indicated that there is more of a potential in getting more people into the workforce, particularly the multi-service clients, and to increase user-friendliness, than it is to see efficiency gains. It’s also indicated that on one important side-effect, the balance of central control and local autonomy, there seems to be centralizing elements so far.

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