Partnership as coordination mechanism in central-local
government relations: The case of Norwegian welfare state reform

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**Introduction**

Many scholars and practitioners have argued that new non-draconic coordination mechanisms are needed to effectively regulate central-local government relations. One oft-cited rationale is a supposed shift in the way the relationship between the two levels is perceived, from a chiefly vertical to a more horizontal relationship. A separate though connected rationale is more pragmatic; theory and experience suggests that as a result of local-level NPM reforms, notably the removal of mid-level managers, municipalities are less willing and able effectuators of central government policies than they used to be. Against this background, many have argued that central-local partnerships is a promising coordination structure. In central-local government terminology, ‘partnership’ represents a parity between the principles ‘national integration’ and ‘local autonomy’ (Fimreite 2008). More generally, partnership is a structure for collaboration between autonomous organizational bodies. Partnerships may involve joint decision making and production, they entail negotiation, and they aim to secure performance or value that the constitutes could not have provided alone. Partnerships differ from contracts because they have longer time horizons and they differ from networks because they are more formalized and tend to require the expenditure of public money (Sullivan and Skelcher 2002).

The empirical setting for this paper is the Norwegian welfare state. Welfare is a suitable policy field for the examination of partnerships because it is fiscally and politically salient, and one in which central and local government overlap in the clientele served. The Norwegian welfare state is currently undergoing a full structural overhaul through the so-called NAV reform. In addition to establishing central-local government partnerships in all 431 municipalities, the reform involves a merger between the national employment and national insurance services (Christensen et al. 2007). Partnerships are hardly a novelty in
Norwegian central-local government relations, but previous experiences have concerned decision making and innovation efforts rather than joint production of services (Baldersheim 2002, Baldersheim and Ståhlberg 2002), which is at the core of the partnerships established by the NAV reform.

The purpose of this paper is twofold. First, we describe how a central-local government partnership model can come about and how it can be configured. Second, we discuss benefits, challenges and dangers associated with this coordination structure.

The empirical material utilized in the paper stems from an ongoing evaluation of the NAV reform commissioned by the Norwegian Research Council. The data were collected in the period November 2007–February 2008 from document studies and from semi-structured interviews with parliamentarians, past and present ministers, top civil servants in the ministries and in NAV and interest group representatives, 43 individuals in all.

The Norwegian context

Norway is a unitary, parliamentary and multi-party state with a small population spread over a rather large geographical area. 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 welfare state is one of the most comprehensive and universal in the world, with a large public sector. 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 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: functionally divided employment and insurance sectors have traditionally been a key mechanism for coordination between levels in the Norwegian welfare state.

Over the past 15 years, local governments have employed other specialization principles than specialization by task. As a result, horizontal coordination at the local level has become easier, but at the same time the sector-based relationship between the central and local levels, traditionally the key mechanism for multi-level coordination in the welfare state, has suffered (Tranvik and Fimreite 2006). 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).

**Partnerships and Norwegian welfare state reform**

*The NAV welfare state reform*

Following years of debate and negotiation, the Norwegian government decided in 2005 to reform the country’s welfare state apparatus. The employment and national insurance services, both a century old, were merged into a new entity called the Norwegian Labour and Welfare Service (NAV). The NAV was established in 2006 and employs 16,000 people, spends about
one third of the state budget and serves practically all Norwegians through the provision of such things as unemployment benefit, rehabilitation allowance, pensions, child benefit and cash benefits. The reform also included a local partnership with locally based social services, in one-stop local welfare offices. Social services would remain a local government responsibility, but municipalities would be legally obliged to conduct certain social services in one-stop shops in partnership with NAV.

The proposal to establish NAV was presented to the Storting (the Norwegian Parliament) in Proposal to the Storting no. 46 (2004-2005). When the Storting approved the reform in the early summer of 2005, ambitious plans were made to implement it at the local level. By the end of 2009, all Norway’s 431 municipalities were to have entered into the partnership and set up a NAV office. NAV Interim, a temporary directorate, was given responsibility for merging the two government agencies and for implementing NAV on the central, regional and local levels.

As mentioned above, the NAV reform was intended to meet the challenges both of strong sectors and multi-level governance. The stated aims of the NAV reform were to create more jobs and to make the welfare service more user-friendly, more holistic and more efficient.

The content of the partnership model

A joint office would be established in each municipality, and there the central state’s merged units would be integrated, through a partnership, with the municipal social services. Each local NAV office would offer social welfare services, unemployment services and, at the very minimum, municipal financial social assistance. The idea of setting up such a partnership was inspired by service offices under municipal jurisdiction, which represented a physical co-localization of various municipal and state agencies. Yet ideas were also culled from similar
solutions in other countries, for instance, Denmark and the United Kingdom. The partnership was to be responsible for coordination between the central state and the municipalities and would be regulated through local agreements between the municipalities and the regional NAV directors. Local agreements would however be based on a general ‘framework agreement’ between the *Ministry of Labour and Social Inclusion* and the *Norwegian Association of Local and Regional Authorities (KS)*.

The NAV reform represents a desire to establish a legislated partnership in which the central state and municipalities are treated as equal partners at the local level. Beyond this, the political authorities gave few directives for how the partnership should be designed. Practically the only decisions the Storting made had to do with the partnership being regulated by official agreements, and that the services should be physically collocated. The municipalities must decide which services will be included – over and above economic social help. The municipalities are also free to determine the structure of leadership, thus, to a great extent, the internal organization of the local NAV offices. There are no specific rules for who should head up the partnership or how it should be organized internally. Local NAV offices must have a director, but he or she can be a municipal or a state employee; another option is to have two directors, one from each side of the partnership. So as far as how the partnership is designed, deference is paid to the principle of local organizational autonomy.

Nevertheless, while the municipalities are to a large extent free to decide which services will fall under the NAV partnership, and are also able to decide how the local NAV offices will be structured and directed, they *cannot* decide whether to enter into the partnership. A truly innovative aspect of this partnership, in comparison to former partnership experiences in the Nordic countries (Baldersheim and Ståhlberg 2002), is hence that the municipalities are *required by law* to enter into it. It seems clear that without this legislation, there would not have been a partnership model, for according to almost all our informants,
this factor was decisive for the state being able to choose the partnered solution. The legislation allowed the state to ‘sit in the driver’s seat’ of the NAV reform and thus ensure its implementation in all Norwegian municipalities.

Regardless of how the local NAV offices are designed, their leaders must ‘serve two masters’: local politicians who have been elected by popular vote, and the regional NAV director. The central state and municipalities’ divergent management cultures are one important aspect of this predicament. Divergent funding arrangements and reporting and governance systems are another aspect. The municipal side of the partnership must operate within a budget sanctioned by local politicians, based partly on lump sums allocated by the central state. The state side of the partnership has a completely different budget and allocation system: its services are largely based on benefits, the amounts of which are fixed by law. Such monies must be paid to welfare recipients regardless of whether or not the local state agency budget has been exceeded. In addition to this, circular letters, directives, regulations and standardized solutions for information and communication technology have traditionally held great significance for how the National Insurance Administration and National Employment Service’s units have been administered and directed. By contrast, municipal social services are, in principle, entrusted to the discretionary judgment of local politicians, both with regard to their scope and the actual paying of benefits.

How the partnership model came about

Preparations for the NAV reform started after a unanimous parliament had urged the government in 2001 to present a proposal for one common welfare agency in Norway. Unanimosity was possible because state-municipal relations were not emphasized at the time. The government was nevertheless unable to present a proposal for a unified agency, precisely because the relation between the state and the municipalities became, over time, the most
contentious issue. Conflicting ways of how to conceive of local government came to light, not least within the government. This resulted in a continuation of the existing state of affairs with regard to apportioning tasks between the state and the municipalities; no proposal for a unified agency was forthcoming, and the Storting ended up rejecting the first reform proposal in 2002.

In order to understand why the chosen partnership solution conceded significant leeway for tasks and organization, it is important to point out that the partnership and how it is designed is a concession, by central state authorities, to the 1992 Local Government Act’s strong prioritization of organizational autonomy for municipalities: The general framework agreement between the central state and the municipal sector stipulates a minimal solution for which responsibilities the municipalities must delegate to the NAV offices. Each municipality is free to give other tasks to the partnership (that is, the NAV offices) if it so decides. In this way it will be possible to adapt the services to local needs and preferences.

The fact that reform preparators eventually came up with the partnership model was decisive for the NAV reform’s acceptability in the Storting. The ‘floating’ municipal conception adopted by some cabinet ministers – in the sense of making pragmatic decisions more than standing on principle – was critical for ratifying the partnership solution. This municipal conception is characterized by the presupposition that the strategy or proposal – or whatever is to be implemented – is more important than the structural features through which it is implemented. This partnership solution appealed both to those parliamentarians who emphasized local autonomy and to those who emphasized user-friendliness. It was, however, the pragmatic aspect that swayed the Storting, for it voted to accept the NAV partnership. Hence, the conflict over state-municipal relations in the field of welfare was solved – at least temporarily.
How the partnership model has worked and evolved

As mentioned, NAV Interim, a temporary directorate, was given responsibility for implementing the NAV reform. One important question which quickly surfaced in NAV Interim was about how tightly the integrated partnership was in fact intended to be. NAV Interim was not satisfied with the scanty instructions in the government’s elucidations and in the Storting’s official resolution on this point: St.prp 46 can, in some places, be interpreted as saying that the partnership, and thus the local NAV office, can be compared to a distinct legal subject with two owners: the state and the municipality. Notwithstanding, proposition 46 stresses that this is a collaboration between administrative levels. Responsibility is not to be transferred from the state to the municipalities or vice versa.

The two separate lines of authority envisaged for the collaborative partnership within NAV offices can seem simple and attractive on paper, but for those who must form the partnership, it is not all that simple. One fractious issue is how to decide who should be able to delegate responsibility for municipal and state duties at these local offices; if the office director is municipally employed, it is problematic for him or her to be held responsible for the state’s line of authority, and if the person is a state government employee, problems arise in relation to municipal lines of authority. Especially challenging, with regard to the latter version of the problem, is when the municipalities give the NAV offices duties that are regulated by municipal bylaws and for which professional secrecy is strict or absolute. Child protection services is a good example in this respect. Several critical voices within NAV Interim, and also eventually within the NAV Agency, claim that, with regard to lines of authority, the challenges posed by the partnership were under-communicated during the planning phase. Some say that the partnership’s planning phase was devoid of a philosophy of governance.
Initially within NAV, special units established at the regional level were vested with the authority to carry out special functions such as processing complaints, dealing with issues related to foreigners living in Norway and Norwegians living and outside Norway, recovering monies paid out as benefits to which applicants are not entitled, monitoring activities of various kinds, some health-related administration and aid-assistance centres. In addition to these specialized units, the decision was made, in spring 2007, to set up so-called *administerial units* in each county, as well as five regional units for handling pensions. The purpose of the administerial units is primarily to make decisions regarding rule-governed services within what previously had been the National Insurance Administration and the National Employment Service. These kinds of services involve e.g. reimbursing medical expenses and making decisions about unemployment and disability benefits. It is estimated that 80 percent of the queries and applications NAV receives will be handled by these new administerial units. The main objective for establishing the units is to improve services for the public. Efficiency, the need for specialized competence amongst social workers and their desire for a professional environment were also given as important reasons for setting them up. For cases not requiring personal interviews, the client should only need to have contact with the administerial units. In other cases, the local NAV office will coordinate frontline services for administerial units. In the later cases, the frontline has the authority to make proposals which the administerial units are required to take into consideration when making the final decisions. Cases requiring discretionary judgment – in other words, cases not immediately falling under standardized rule-governed benefit schemes or arrangements – are to be resolved in full at the frontline office.
Discussion – prospects and challenges for the partnership model

Central government perspective – concern for efficiency and inconsistency

Two state agency representatives’ perspectives can serve to instantiate the views of many others:

The partnership and having to give due respect to the municipalities means we must always do things in inefficient ways […] It is not cost effective to have to always be taking the municipalities’ distinctive character into account […] Had it been under the jurisdiction of the state, we would have standardized it. What we are trying to do now is to create processes that can transfer learning […]

(Civil servant interview, 2007)

Our lack of a clear cut form of governance, the differences in how the offices are structured, and the fact that one must always come to an agreement with the municipalities by virtue of the lowest common denominator—it does not lead to greater efficiency […] obviously it contributes to our inefficiency.

(Civil servant interview, 2007)

If attitudes such as these become dominant an alternative to the partnership could be to set up a ‘NAV sector’ with a strong central headquarter that governs all regional and local offices via traditional coordination mechanisms: for instance laws, rules, statutes, reporting systems and financial arrangements. Already one year after NAV Interim was set up, aspects of how NAV was being shaped suggest that such a development is not a utopian prospect. Developmental features indicate that it is difficult for the state to live with ambiguity when it concerns sector/service areas at the local level. The establishment of NAV’s administrative units and the state’s proposed supervision of municipal economic welfare (see below) can be interpreted as to be part of a series of centralization-oriented strategies the state has deployed over the last 15 years, whenever the municipalities’ freedom to see initiatives in context, and
to set priorities that cut across policy area boundaries, has been experienced as too great
(Fimreite 2008).

Accepting the idea of local leverage is perhaps especially challenging for the two state
agencies merged in NAV. Both have, for over a century, been accustomed to relating to their
subordinate units through bylaws and regulations, and have not allowed local units to exercise
much discretionary judgment. Their dominant organizing principle regarding the relation
between state and local levels has largely been that of national integration. It is therefore
problematic that these agencies must now take into account each municipality’s distinctive
character as a local political actor with significant leverage in carrying out its duties.

The regional administral units are an inheritance from an earlier system where this
type of thinking was dominant; it was namely the former National Unemployment Service’s
way of organizing its multi-level system. There is much to suggest that NAV’s newly
established administral units represent a corresponding desire to govern through a multi-
level system, in order to insure the availability of ‘warrantable’ welfare and social services at
the local level. Improved service for the population is the chief argument for introducing the
administral units, and improved service for the population is one of the main objectives of
the reform.

*Local government perspective – fear of colonization*

Setting up administral units can clearly be interpreted as a strategy the state sector has
deployed to tighten its grip on NAV’s local decision-making processes, and thus as a first step
towards re-centralization. The administral units will result in the local NAV offices – the
partnership – loosing authority to make decisions. Local government advocates admit that the
NAV system needs some specialized units. It makes little sense for each and every
municipality to have to cope with tasks like processing appeals or complaints, seeking redress,
and processing applications for social insurance abroad. Yet, say local government advocates, setting up administerial units at the regional level in order to decide matters related to standardized rule-governed services makes less obvious sense, in light of NAV’s objectives and in light of the partnership model which was instigated precisely in order to make such decisions. Although local NAV offices have the authority to make official recommendations, there will always be uncertainty as to whether the administerial units follow their recommendations. What is more, there will always be a time lag, from when the recommendation is made at the local level, to when a decision is made at the regional level. This means that even though the services are supposed to be coordinated locally, in order to offer the best possible welfare service to each individual user, NAV offices do not have right of access to the entire apparatus of initiatives.

Given this development in NAV’s implementation process, it is not surprising that the Norwegian Association of Local and Regional Authorities (KS) now fears that the NAV offices, as a consequence of transferring tasks from the local to regional level, will be deprived of legal authority. This fear does not arise out of the blue. The last 10 to 15 years’ wide-ranging and increasing state control of municipalities can be explained in relation to the organizational freedom municipalities were granted through the Local Government Act of 1992, and the breakdown in sector contact between the central and local authorities which this law has occasioned (Fimreite 2008). Due to its possibilities for variation, the design of NAV’s partnership represents some of the same uncertainty for the welfare agencies as did the 1992 Local Government Act. Hence KS raises a pertinent question: Why should there be local NAV offices if they are unable to make real decisions and adaptations involving the entire spectrum of NAV services, and be awarded status accordingly?

From the municipalities’ perspective, the fear is that the result can be even more centralization, also for services presently based on discretionary judgment and entrusted to
local NAV offices. Centralization need not entail that these services will be grafted into the regional administerial units. Centralization can also be achieved through these services being protected by individual guarantees and rights, or through placing all social services under the state’s jurisdiction. Some of our informants believe the NAV partnership between the state and the municipalities should be interpreted as a strategy for reducing opposition to just such a takeover by the central government. One indicator of how things might progress is that the Ministry of Labour and Social Inclusion, in spring 2008, worked on a proposal it plans to introduce in parliament in the fall of 2008, regarding the introduction of state supervision of municipalities’ financial social assistance practices. This represents an expansion of the state’s supervision of today’s social welfare services, for it does not presently encompass financial welfare based on discretionary judgment, that is, the minimum service the municipalities are required to provide through NAV. It is this side of the social services the Ministry of Labour and Social Inclusion now wants to gain more control over. As stated on the ministry’s webpages: Supervision and inspections are important guarantees for citizens’ right to ‘rule of law’ [...] the supervision [shall] protect ‘rule of law’ for all who apply to the municipalities for help. From statements like these, it does not seem that the state’s trust in its ‘equal’ partner’s ability to make good decisions is all that robust. In the NAV context, and using the reasons given for the partnership as the startingpoint, a development in the direction of more individual rights and/or placing social welfare under the state’s jurisdiction, means that the local offices will become mere expediting centres. The partnership’s most important tasks will be to provide information and to expedite clients, rather than providing services and adapting them to clients’ needs.
Conclusions

The paper has describe how a central-local government partnership model can come about and how it can be configured. The paper has also discussed benefits, challenges and dangers associated with this coordination structure.

The Norwegian case shows how the partnership model was introduced as a solution that could help achieve the main goals of a broader welfare reform without upsetting the balance between local and central government responsibilities and autonomy (Fimreite and Lægreid 2008a). The introduction of the partnership model kept the contentious NAV reform process on track; key actors labelled it a columbi egg for the resolution of the process. However, the partnership model has proven challenging to implement. Creating a governance model that includes NAV’s central, regional and local levels, and which can also accommodate the partnership, has proved challenging. Nothing comparable has been done before in Norway because bureaucratic and hierarchical governance forms have always dominated the public sector. Central-local tensions have resurfaced over how to staff and manage the one-stop shops, to whom they are accountable, and, not least, defining the offices’ autonomous space in relation to local governments and NAV.

It is obviously too early to say whether discussions here capture the contents of the partnership such as it will be in future. Nonetheless, developmental features seen at the central level can, in any case, indicate that it is difficult for the state to live with ambiguity when it concerns sector/service areas at the local level. However, two years into implementation, observers fear that the partnership model, though instrumental to the resolution of the reform planning process, may obstruct successful implementation of the wider welfare state reform – i.e. that the partnership model brought about a phryric victory.
References


