Where is Municipal Marketisation Heading? Experiences from England and Scandinavia

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Publication date:
2019

Citation for published version (APA):
Lindholst, C., Noren Bretzer, Y., Dempsey, N., Dotterud Leiren, M., & Hansen, M. B. (2019). *Where is Municipal Marketisation Heading? Experiences from England and Scandinavia*. 1-12. Paper presented at Nordic Local Government Conference, Åbo, Finland.

11. Where is Municipal Marketisation Heading? Experiences from England and Scandinavia

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Abstract

Marketisation is commonly understood as a key component in the new public management (NPM) model for public management reform. However, negative experiences, newer reform trends and local circumstances have challenged the NPM and raised the question of whether reforms have entered a post-NPM era. In this chapter, we explore and compare the impact of marketisation on the organisation of local service delivery and address whether newer reform trends in the post-NPM era are transforming contemporary marketisation. Our study takes place in the context of local park and road services across England, Sweden, Denmark and Norway and draws upon original survey data collected from mid-level managers in 2014–16. The chapter concludes that marketisation is widespread but not dominant within our study's context. It is also being transformed to some extent by newer and different reform trends. In perspective, we find that marketisation is an evolving reform practice, which trajectories depend on local contextual circumstances and adaption of newer reform ideas.

Key words

Marketisation, municipalities, new public management, post-NPM, Scandinavia, England.

Introduction

Marketisation represents one of the most widely adopted doctrines for public management reform inherited from the new public management (NPM) in the decades from the 1980s to the present day (Pollitt and Bouckaert 2017). Marketisation has included models based on ideas of choice and competition as the means, if not the ends, for public sector reforms and the re-organisation of public service delivery (Le Grand 2007). Well-known marketisation models include, among others, competitive tendering, contracting out, free choice, purchaser–provider splits and corporatisation, of which some involve an element of privatisation of responsibilities and others involve only internal re-organisation of service delivery (Hansen, Lindholst, and Greve 2020). Numerous studies show how ideas and models of marketisation have contributed to profound transformations in public service delivery across welfare and technical services in many countries since the 1980s. The idea of choice, for example, has constructed citizens as consumers rather than recipients of welfare services (Rostgaard 2018) while the idea of competition has long broken down former monopolies and created new markets for provision of public services (Walsh 1995).

However, accumulated experiences, newer reform ideas and differences in local contexts increasingly challenge inherited reform ideas and models from the heyday of the NPM, and question the future role for marketisation as a reform path for local governments. Evidence from economic outcomes, for example, shows that key marketisation models over time have ‘got rusty’ (Bel and Costas 2006). Also, experience illustrates that marketisation involves a set of governance challenges and risks for failures in management (Kettl 2010). Failures within some local services, for example, appear increasingly to drive a movement towards re-municipalisation (Wollmann and Marcou 2010).

Problems with the NPM more broadly, such as organisational fragmentation, loss of bureaucratic control and a deficit of democratic and constitutional values have given way to a diverse set of newer and more or less institutionalised reform ideas and models in a post-NPM era (Reiter and Klenk 2019). These ideas and models have been summarised and discussed under major descriptors such as the neo-Weberian state (NWS) and the new public governance (NPG) (Byrkjeflot, du Gay, and Greve 2018; Pollitt and Bouckaert 2017). Periods of severe austerity from the late 2000s onwards have furthermore questioned the adequacy of earlier reforms and there have been sustained calls for more innovation and intensification of local public sector reforms (Kuhlmann and

Bouckaert 2016). One outcome from these developments is that conventional marketisation models inherited from the NPM have been complemented by an increasingly heterogeneous mix of arrangements for organising relations between the public and the private in public service delivery (Donahue and Zeckhauser 2011).

Adding to this complexity, comparative research repeatedly highlights that contextual differences, such as government and territorial structures and administrative culture and traditions across groups of countries (and services), produce local variations in the implementation of public sector reform (Christensen and Lægreid 2011; Kuhlmann and Bouckaert 2016).

These observations raise research questions about whether the advent of newer reform ideas and adaptations to local contexts have affected the implementation and transformation of marketisation across different countries and at different levels of government. With the aim to add pieces to this broader puzzle, we examine and compare how far marketisation is 1) implemented and 2) transformed within local park and road services across England and the three Scandinavian countries. The service context represents settings commonly regarded as well-suited for marketisation, while the four countries represent very different contexts for the implementation of marketisation. The examination and comparison call on original survey data collected in 2014-16 as part of a larger research project on marketisation (Lindholst and Hansen 2020).

The remainder of the chapter is organised as follows: Firstly, we present our comparative framework and data sources. Secondly, we provide a comparative analysis based on statistical analysis of country differences. Thirdly, we interpret and sum up on our findings and discuss the future of marketisation as a reform path for local governments.

Framework for Comparing Variants of Marketisation

Congruent with the reform literature (Pollitt and Bouckaert 2017), we discuss and associate marketisation features in relation to the NPM reform model and the two major post-NPM reform alternatives in terms of the NPG and NWS models. We highlight three key aspects of marketisation for interpreting and disentangling contemporary characteristics of marketisation across our four countries in a meaningful way vis-à-vis the three reform models. Table 11.1 summarises the key marketisation features associated with, respectively, NPM and post-NPM reforms. We detail these aspects and features below.

Table 11.1 Aspects of municipal marketisation between NPM and post-NPM trends

	NPM features	**Post-NPM features**
A. Provider arrangement	Emphasis on competitive markets and private provision	Emphasis on in-house, mixed public-private provision and other organisational types
B. Contract-based relation with providers	Standard contract as framework for delivery of predefined services	Contract as framework for collaboration and strategic provision of services
C. The use of marketisation instruments for in-house activities	Purchaser-provider split, competitive pressures, control functions	Vertical and horizontal re-integration

The *first* aspect is the choice of provider arrangement in terms of who is involved in providing services. Marketisation in the NPM is strongly skewed toward competitive markets and externalisation by the involvement of private for-profit contractors, whereas reform trends in the post-NPM era have emphasised a renewed role of in-house delivery, mixed public-private delivery and the use of other organisational types such as social enterprises or community groups (Donahue and Zeckhauser 2011). The NPG reform model emphasises the involvement of a broader range of organisations, while the NWS model emphasises a stronger role for governments through the means of a reformed bureaucracy and with less reliance on markets.

The *second* aspect relates to the degree to which contract-based relations with external service providers are defined by a standard contract model for provision of predefined services or are organised as a strategic framework for joint collaboration and partnerships between public authorities, contractors and users (Sullivan and Skelcher 2002). NPM features are associated with standard contracting models, whereas NPG appears associated with collaborative and partnership approaches. Clearly, the interpretation of our first aspect depends on the nature of the second aspect.

The *third* aspect related to the extent to which various NPM features related to 'internal' marketisation models, such as the purchaser–provider split, internal control, stronger accountability and competitive pressures (Hood 1991), characterise the organisation of internal service provision. In the early NPM era, in-house provision was commonly perceived as inherently ineffective, costly and unresponsive. These perceptions sustained beliefs that public bureaucracies were resistant to market and management instruments and that a shift to private provision was preferable. A more recent discussion in the literature, however, centres upon whether the NWS represent the 'non-death of NPM' – a reprogrammed state in classical Weberian fashion but with integrated NPM features (Byrkjeflot, du Gay, and Greve 2018). Thus, interpretation of the third aspect hinges critically on the interpretation of the two first aspects. For example, higher integration of NPM features into the internal organisation combined with lower reliance on private contractors would indicate a comparatively stronger orientation toward the NWS model.

Analytical Design: Service and Country Context

We address our study in the context of local park and road services – a context commonly regarded as well-suited for marketisation and where marketisation as a reform strategy has been adopted early (Lindholst et al. 2020). Thus, we find that the service context is appropriate for a study of the development of varieties of marketisation.

We compare the implementation and transformation of marketisation across local governments in England, Denmark, Sweden and Norway by choosing a most different research design (Anckar 2008) with regard to political systems (a first-past-the post majoritarian system and weak local governments in the United Kingdom contrasted with proportional unitary systems and strong local governments in the three Scandinavian countries). Furthermore, the UK and England (together with the Anglo-American countries) are perceived as early NPM reformers, while the Scandinavian countries are commonly regarded as belonging to a group of 'reluctant' or 'later' adopters (Christensen and Lægreid 2011). Reform-wise, England is generally known for a mix of reform strategies broadly emphasising a combination of minimisation and marketisation, while the

Scandinavian countries have emphasised modernisation over marketisation (Pollitt and Bouckaert 2017).

The characteristics of England and the three Scandinavian countries also differ with regard to the preconditions for implementing marketisation. The municipal structure in terms of size and political–administrative capacity differs significantly. Norway, for example, has municipalities with very small populations on average, whereas municipalities in the England are the largest in Europe (table 11.2).

Table 11.2 Key countries' characteristics (mid 2010s)

	England	Denmark	Sweden	Norway
Political system	Majoritarian	Proportional	Proportional	Proportional
Number of local governments	326 (lower-tier)	98	290	428
Average municipal population size	169,000	58,000	34,000	12,000
Persons per km^2	423	134	23	14

Source: OECD (2017).

The average population density is relatively high in England and Denmark, with respectively 423 and 134 inhabitants per km^2. In comparison, Sweden and Norway's average density is very low, with respectively 23 and 14 inhabitants per km^2, and the variation within each of the latter is considerable. Moreover, Denmark's area is less than one-tenth of Sweden's. Given the comparative territorial characteristics, we expect that preconditions for marketisation in terms of efficient competitive markets and administrative capacity differ substantially across the countries. In general, we expect that Norway and to some extent Sweden constitute more challenging contexts, including thin markets and low administrative capacity, while Denmark and England represent more supportive contexts.

We draw upon on survey data generated in a larger research project on marketisation (Lindholst and Hansen 2020). The survey data allow us to examine and compare how far marketisation is implemented and transformed across our four countries in concordance with key aspects and features laid out in our analytical framework. The data survey was designed and collected electronically in similar ways across our four countries. Key respondents were municipal mid-level managers with responsibilities for local park and road services. The response rate among municipalities was 32% in England, 77% in Denmark, 22% in Norway and 40% in Sweden.

Four Varieties of Marketisation

Initially, we expected to find substantial differences in how far marketisation was implemented in England – our early adopter country – and our three Scandinavian laggards. What emerged from the findings is a somewhat more complex picture.

(A) Provider Arrangements

Table 11.3 shows the proportion of budgets spent on four different provider arrangements. England is the country where municipalities most commonly use private contractors for provision of all park and road services (33% of the municipalities for both services). In comparison, full provision by private contractors is an uncommon provider arrangement among the three Scandinavian countries (between 3% and 21% across both services). On the other hand, in-house provision or mixed delivery is the most common provider arrangement in Scandinavia with some notable differences between the two services. For road services mixed delivery is far more common (between 61% and 81%), while in-house provision is most common for park services (between 43% and 65%). The proportions indicate a stronger role overall of in-house providers in Scandinavia compared with England. However, full in-house provision is the most common provider arrangement for park and road services in England (44% and 47%). In addition, other provider types, such as social enterprises or inter-municipal companies, are very uncommon in Scandinavia (in particular in Norway and Denmark), while they have gained some traction in England. Additional survey data (not shown) indicate that about one-half of the municipalities in England use other provider types within park services but their importance is not reflected in the proportion of services. Overall, these findings indicate that in-house provision three decades after the advent of the NPM still has a major role in service provision in all four countries. In comparison, municipalities in England rely more commonly on private contractors and to some extent other provider types.

Table 11.3 – Proportions using different provider arrangements for local park and road services in England and Scandinavia

Proportions [a]		England (N parks/roads =103/58)	Sweden (N parks/roads =100/95)	Denmark (N parks/roads =74/72)	Norway (N parks/roads =75/81)
Only private contractors	Parks	33% S D N	15% E N	14% E N	3% E S D
	Roads	33% S D N	21% E	13% E	11% E
Mixed delivery	Parks	18% S D N	32% E	43% E	31% E
	Roads	12% S D N	61% E D	81% E S	74% E
Only in-house providers	Parks	44% N	48% N	43% N	65% E S D
	Roads	47% S D N	17% E	6% E	14% E
Only other provider type [b]	Parks	5% D	5% D	0% E S	1%
	Roads	9% S D N	1% E	0% E	0% E

Notes: Data source: INOPS surveys 2014-2016. Statistical test of differences between the four countries based on χ^2-tests. Significant results ($p < .1$) noted by country codes (E=England, etc).
[a] Proportions measured by the share of budgets spend on different provider types. 'Only private contractors' is defined as a budget share spend on private contractors >90% of services, 'mixed delivery' equals a budget share spend on in-house or private between 10% and 90%, 'only in-house provider' equals a budgets share spend on in-house providers >90%, and 'only other provider types' equals a budget share >90%.
[b] Include various types such as social enterprises or inter-municipal company.

(B) Contract Forms

Table 11.4 shows the average importance of six different key contract features, where the first three features are associated with the standard contracting model promoted by NPM reforms, and the last three features represent newer collaborative or partnership-based types associated with newer reform trends. These collaborative and strategically oriented features are commonly combined with the standard features and their relative importance commonly defines the basic orientation of a contract-based relationship (Lindholst 2009). Overall, our findings in Table 11.4 show that municipalities in England establish more collaborative contractual arrangements with their private contractors than the Scandinavian municipalities. These arrangements place greater importance on functionality and purpose of services, user involvement and formal collaboration. Municipalities in Scandinavia rely mainly on standard contract features, with the exception of Denmark where the specification of features related to formal collaborative and joint planning appears slightly more significant. These findings are important for interpreting the findings above with regard to the involvement of private contractors in local service delivery.

Table 11.4 – Importance of contract features in local park and road maintenance contracts in England and Scandinavia

Feature [a]	England (N=49-52)	Sweden (N=74-80)	Denmark (N=65-67)	Norway (N=70-74)
Juridical clauses/agreement (§§)	8.8 [S D]	7.8 [E]	7.8 [E]	8.1
Formal sanctions in case of non-compliance	5.8	5.7	6.7	6.0
Service specification based on quantities and performance measures	7.4	6.7	7.7	7.0
Service specification based on functionality and purpose	7.6 [S N]	6.1 [E]	6.4	6.3 [E]
Formal collaboration and joint planning	7.3 [S N]	4.3 [E D]	6.0 [S]	4.8 [E]
Contractor's involvement/contact with users	5.6 [S D N]	3.0 [E]	2.9 [E]	2.8 [E]

Notes: Data source: INOPS surveys 2014-2016. Statistical test of differences between the four countries based on analysis of variance (ANOVA) with post hoc tests. Significant results ($p < .1$) noted by country codes (E=England, etc).
[a] Three out of eight survey items are reported in the table. Items based on responses to the question: "On a scale from 0 to 10, please indicate to which degree the following content is a central part of your department's arrangements with private contractors: (0 = 'not at all', 10 = 'very high degree')".

(C) Internal Marketisation and In-House Provision

Table 11.5 shows the proportions of municipalities using seven different instruments (which resemble internal marketisation models) for organising and managing in-house provision. Overall, the findings indicate that these instruments are common to various degrees in all four countries. However, the Scandinavian municipalities appear to be organised as semi-autonomous agencies to a greater extent than municipalities in England. This difference is reflected in, for example, the more widespread use of internal purchaser–provider splits, internal control and independent top management. Municipalities in England appear slightly more strategy oriented and flexible in delivery through the widespread use of business planning and the ability to offer services to different clients. In Scandinavia, the instruments are used less extensively in Norwegian municipalities than in Denmark and Sweden.

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Feature [a]	England (N=49-52)	Sweden (N=74-80)	Denmark (N=65-67)	Norway (N=70-74)
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Formal collaboration and joint planning	7.3 [S N]	4.3 [E D]	6.0 [S]	4.8 [E]
Contractor's involvement/contact with users	5.6 [S D N]	3.0 [E]	2.9 [E]	2.8 [E]

Notes: Data source: INOPS surveys 2014-2016. Statistical test of differences between the four countries based on analysis of variance (ANOVA) with post hoc tests. Significant results ($p < .1$) noted by country codes (E=England, etc).
[a] Three out of eight survey items are reported in the table. Items based on responses to the question: "On a scale from 0 to 10, please indicate to which degree the following content is a central part of your department's arrangements with private contractors: (0 = 'not at all', 10 = 'very high degree')".

Conclusion

How far is marketisation 1) implemented and 2) transformed within the service and country context of our study? Assuming that marketisation ideas and models were less commonplace in the period before the initiation of NPM reforms, we find that marketisation ideas and models now play a substantial role in the organisation of local service delivery across early adopter and more reluctant NPM reform countries. Nevertheless, when private contractors are involved in service delivery in England it appears more radical compared with Scandinavia's choice of either/or between in-house provision and private contractors. In Scandinavia, the choice appears less radical because there remains a major role for in-house provision in combination with private involvement. On the other hand, Scandinavian municipalities appears to be more radical in the way in-house provision has been re-organised by internal marketisation models. It is notable furthermore that the relatively more difficult preconditions for marketisation in Norway and Sweden also are reflected in the degree to which marketisation is implemented.

In addition, our evidence indicates that marketisation exists in several country specific variations and to some extent in variations that have been transformed or reinvented by adoptions of features from newer reform models. Specifically, we find evidence of an NPG variant of marketisation in

England and a NWS variant in Scandinavia. The NPG variant places a comparatively stronger emphasis on collaborative arrangements, the involvement of a wider range of organisational types and user groups and less emphasis on instruments supporting internal marketisation. The NWS variation is characterised by a stronger overall role of a 'modernised' in-house provision by the incorporation of NPM features and the relatively less radical involvement of private contractors in service delivery. By using mixed delivery, for example, Scandinavian municipalities reflect traditional bureaucratic values by retaining a degree of robustness in service delivery in case markets fail. Overall, our findings indicate that the strong link between NPM and marketisation need to be reconsidered through a focus on variants of a transformed marketisation across different countries – and also, from the same perspective, in different types of urban or rural service contexts. However, this remains a subject for future research.

Where is marketisation heading? From our evidence, we remain confident in saying that it will not sweep the board as envisioned in early NPM reforms. Marketisation can furthermore be expected increasingly to become the target for newer reform efforts that will reshape and adapt it to local circumstances. Overall, marketisation appears as an evolving reform practice. However, NPM features are far from becoming obsolete and the 'non-death of NPM' is reaffirmed in the incorporation of NPM features into the NWS reform model.

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