WELFARE REFORM AND 'WICKED ISSUES' -
FROM COUPLING TO DE-COUPLING?

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About COCOPS

The COCOPS project (Coordinating for Cohesion in the Public Sector of the Future) seeks to comparatively and quantitatively assess the impact of New Public Management-style reforms in European countries, drawing on a team of European public administration scholars from 11 universities in 10 countries. It will analyse the impact of reforms in public management and public services that address citizens' service needs and social cohesion in Europe. Evaluating the extent and consequences of NPM's alleged fragmenting tendencies and the resulting need for coordination is a key part of assessing these impacts. It is funded under the European Commission's 7th Framework Programme as a Small or Medium-Scale Focused Research Project (2011-2014).

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Abstract

This paper seeks to identify trans-boundary innovative coordination practices and related modes of specialization and steering instruments in welfare administration reforms. We describe how the 2005 reform of the welfare administration in Norway started as a coupling process involving merger and partnership, but later, following the 2008 reorganization, introduced re-centralization and re-specialization, which implied decoupling. The main research questions are how we can explain this change from coupling to de-coupling of administrative reform and policy delivery? What are the main actors and interests behind it? What are the changes in organizing principles experienced? Why was the administrative reform not sustainable and reorganization through decoupling seen as a better answer to the «wicked issues» of welfare services? To answer these questions we apply a transformative theoretical approach, which combines a structural-instrumental perspective, a cultural-institutional perspective and an environmental perspective.

Keywords

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1. Introduction

This paper has two main objectives. Firstly, it seeks to identify trans-boundary innovative coordination practices and related modes of specialization and steering instruments in welfare administration reforms. Secondly, it analyses the functioning of such coordination practices and looks at how they may be undermined, leading to a more fragmented public apparatus and overall to more hybridity (cf. Hunt, 2005).

Administrative systems have historically always been confronted with issues of integration, coordination and central capacity on the one hand and autonomy, fragmentation and disaggregation on the other. NPM has come to be associated with organizational rearrangements that enhance the capacity to handle tasks that can easily be located within separate, semi-autonomous organizations (Pollitt and Bockaert, 2011). But it has also led to proliferation and fragmentation of the government apparatus and reduced the capacity to handle «wicked issues» that transcend organizational boundaries and administrative levels (Lægreid and Verhoest, 2010). Post-NPM reform initiatives have addressed the challenge of integration in central government and the increasing demand for innovative collaborative arrangements that are able to handle cross-boundary issues (cf. Christensen and Lægreid, 2010).

In 2001 Norway embarked on a major reform, inspired by post-NPM, of its central welfare administration – a long process initiated by Parliament (Christensen, Fimreite and Lægreid, 2007). In 2005 it was decided to merge the central pensions and employment agencies and to create a partnership with locally based welfare services. During the period 2006-2009, local one-stop-shop welfare offices were gradually established in all municipalities. A reorganization in 2008 established regional pension units and administrative back offices in the counties that were allocated tasks and resources by local units (Christensen, 2011).

The reform was primarily an administrative or structural reform, and the main idea was to improve service delivery by reorganizing the administrative apparatus. In contrast to similar reforms in other countries (Christensen et al., 2009), no change in welfare policy was originally planned. This strategy was later revised, and a major pension reform was launched parallel to the implementation of the administrative reform.

The original aim of the reform was to address a «wicked» policy issue, i.e. the fact that the apparatuses of the three welfare sub-sectors – pensions, employment and social services – were not well coordinated between sectors and levels, to the detriment of multi-service users (Christensen, Fimreite and Lægreid, 2007). The proclaimed sub-goals of the reform were accordingly to make the new welfare administration more user-friendly, to bring more people on welfare into the workforce and to become more efficient. This implied basically what we could label a coupling process between administrative reform and service delivery. Today, following implementation and reorganization of the reform, the original reform concept seems to have changed in the direction of decoupling administrative reform and changing the original focus on «wicked issue» of policy delivery.

As the reform proceeded, goals gradually changed, new policies were developed (pension reform) and the structural design changed substantially. The story is one of movement from coupling to de-coupling. This goes in the opposite direction to that usually identified by research on the dynamics between the two reform waves, where the solving of some 'wicked issues' creates new ones. It also shows the limitations of post-NPM reform measures and reveals a trend towards hybridity.

The main research questions of the paper are accordingly:

> How we can explain this change from coupling to de-coupling of administrative reform and policy delivery? What are the main actors and interests behind it? What are some of changes in organizing principles experienced? Why was the administrative reform not sustainable and reorganization through decoupling seen as a better answer to the 'wicked issues' of welfare services?

This is more broadly speaking a question about the preconditions for sustaining the main ideas behind a reform in the implementation phase, related both to actors and to organizational thinking. We will use a transformative approach, taken from organization theory, to analyse the main research questions, which entails examining instrumental/ structural, cultural and environmental factors (Christensen and Lægreid, 2001). The theory is primarily used to analyse the reform process. Explanations to be explored include environmental pressure (institutional and technical environments), domestic political administrative culture and tradition, policy features and structural characteristics of the political administrative system. The main data used are documents and elite interviews conducted during a major evaluation project related to the new welfare administration reform (cf. Christensen, 2011).

First, we give an overview of post-NPM reform measures linked to whole-of-government initiatives to handle wicked cross-boundary problems. Then we present our transformative theoretical approach, which combines a structural-instrumental perspective, a cultural-institutional perspective and an environmental perspective. Third, we describe how the 2005 reform of the welfare administration in Norway started life as a coupling process involving merger and partnership, but later, following the 2008 reorganization, introduced re-centralization and re-specialization, which implied decoupling. Fourth, we discuss how to understand the competing principles of organizing and decoupling and analyse the reorganization of the reform as a mixed order. Finally, we draw some conclusions and implications.

2. Post-NPM reform measures and the handling of <<wicked issues>>

It has increasingly been recognized that the specialization of the public sector apparatus furthered by NPM was not fit to tackle the big issues in society that the public sector was expected to handle (Christensen and Lægreid, 2007). The functional line ministries and central agencies no longer corresponded with some of the most complex problems in society. There was a mismatch between the problem structures and the organizational structure, so that major tasks now cut across organizational boundaries. Examples of such 'wicked problems' (Rittle and Webber, 1973) for which there are no clearly defined or easily found solutions include unemployment, poverty and homelessness. None of these problems is likely to come under the purview of a single sectoral organization. Typically they involve more than one area of organizational competence and can therefore only be solved by working across organizational boundaries (Clark and Steward, 2003). Wicked issues do not easily fit into a corresponding organizational context, so they challenge existing patterns of organization and management. The issues need to be framed and reframed.

The concept of working across boundaries gained popularity in public administration and in management theory and practice from the late 1990s (Gregory, 2003). The call for integrated services and for the public sector to work across boundaries indicates a problem of coordination in the public sector (Gregory, 2003; Halligan, 2007a). The new mantra was an increased focus on integration and joining the dots. NPM-style reforms are regarded as having led to fragmentation in the public sector and strained political and administrative leaders' capacity to solve societal problems (Christensen and Lægreid, 2001; 2007). As a result of this fragmentation, the public sector finds it difficult to design and implement policies that will improve cohesion. It has therefore started to look beyond NPM and to develop new approaches to reform intended to counter this fragmentation and to re-coordinate the public sector (Osborne, 2009; Wegrich, 2010).

The new coordination practices come in various shapes and have various names, such as whole-of-government (OECD, 2005; Christensen and Lægreid, 2007), integrated governance, outcome steering, joined-up governance (Baechler, 2011; Bogdanor, 2005; Hood, 2005), holistic governance (Leat, Setzler and Stoke, 2002), new public governance (Osborne, 2009), networked government, partnerships, connected government, cross-cutting policy, horizontal management or collaborative public management (Gregory, 2003). A common feature is the notion that working across organizational boundaries will enable more efficient and/or effective policy development, implementation and service delivery. Such modes of operating are supposed to counter 'departmentalization' and a «silo mentality». However, while they promise much, there are actually a number of challenges associated with using them in practice. Like NPM, post-NPM efforts aim to find «one size to fit all», which is rather unrealistic.

Post-NPM has a vertical and a horizontal dimension and even tries to combine the two (Christensen and Lægreid, 2007). Integrated governance in Australia and New Zealand has involved rebalancing centre and line ministries, a focus on outcome performance and improved service delivery, a rationalization of public bodies and a commitment to whole-of-government and integrated agendas at agency as well as service delivery level (Halligan, 2010). One example of a country that adopted vertical post-NPM reform measures is the UK. The Blair government implemented rather aggressive top-down style whole-of-government initiatives (Stoker, 2005), which strengthened the role of central government and established structures such as strategic units, reviews, and public service agreements. Both the UK and New Zealand have a clear hierarchical component in their style of «joining-up» (Perry 6, 2005). Labour governments have tried over the past decade to improve service delivery by enhancing central control mechanisms while at the same time continuing to argue for more autonomy for the officials charged with delivering services, which shows hybrid features (Richards and Smith, 2006).

The hierarchical strengthening of the centre has also led to a stronger prime minister's office, in both a political and an administrative sense, as seen in the UK, Australia and New Zealand. It also implies stronger audit systems, tightening up financial management and strengthening governance and accountability regimes, as in Canada (Aucoin, 2006). Measures like this are primarily concerned with strengthening central political capacity, potentially making subordinate agencies and companies less autonomous. Even though the Prime Minister's Office in Australia has been strengthened (Halligan and Adams, 2004: 86) and the specialized

agencies brought back under greater central control (Halligan, 2006), this represents more a tightening-up than major restructuring.

The horizontal dimension, seen as even more important than the vertical, typically concerns policy areas that cut across traditional boundaries. The functional line encompasses ministries or central agencies no longer aligned with many of the most complex problems facing society. As a result, the governments have had to change their organizational design or learn to work together in a more comprehensive manner (Baechler, 2011). In Australia and New Zealand, for example, new organizational units, such as new cabinet committees, inter-ministerial or inter-agency collaborative units, inter-governmental councils, the lead agency approach, circuit-breaker teams, super networks, task forces, cross-sectoral programs or projects, tsars, etc. have been established with the main purpose of getting government units to work better together (Gregory, 2006; Halligan and Adams, 2004).

How this dimension is handled ranges from mergers to softer collaborative measures. Beginning in the mid-1990s, the Canadian government launched what were labelled horizontal management initiatives to tackle policy issues such as innovation, poverty, and climate change (Bakvis and Juliett, 2004). Other examples of these were seen in Australia in 2002, where attempts were made to bring more coordination to such areas as national security, demographics, science, education, environmental sustainability, energy, rural and regional development, transportation, and work and family life (Halligan and Adams, 2004). In 2003, a new Cabinet Implementation Unit was established in Australia to support whole-of-government activities. Creating coordinative structures inside existing central structures, increasing the strategic leadership role of the Cabinet, and focusing more on following up central decisions are typical hierarchical efforts in Australia. Their aim is to put pressure on the sectoral authorities to collaborate and coordinate better (Halligan, 2006). In Norway a new minister of coordination was established in the Prime Minister's Office in 2009. Other examples are merging agencies to form larger bodies, such as the Department of Homeland Security in the USA, the Ministry of Social Development in New Zealand, the Department of Human Services in Australia (including Centrelink) (Halligan, 2007b) and the new welfare administration in Norway analysed in this paper.

Post-NPM seems generally also to be more about working together in a pragmatic and intelligent way than about formalized collaboration. The approach to major stake-holders in the environment, including private actors, is more heterogeneous and involves joined-up governance efforts and the use of networks and partnerships. Collaborative efforts aimed at delivering a seamless service, like Australia's one-stop shops and Canada's horizontal

management (Bakvis and Juliett, 2004), can be seen as control from above to secure coordinated and efficient service delivery, but also as a real local collaborative effort requiring autonomy from central control (Halligan, 2006). A comparative study of service delivery organizations in the UK, New Zealand, Australia, and the Netherlands concludes that procedural bureaucratic models are being superseded by network governance (Considine and Lewis, 2003).

The post-NPM reforms are also culturally oriented governance efforts. They focus on cultivating a strong and unified sense of values, teambuilding, the involvement of participating organizations, trust, value-based management, collaboration and improving the training and self-development of public servants (Ling, 2002). The argument is that there is a need to re-establish a «common ethic» and a «cohesive culture» in the public sector because of the reported corrosion of loyalty and increasing mistrust brought about by NPM, which was rooted in diverse economic theories (Norman, 1995). All agencies should be bound together by a single, distinctive public service ethos, as emphasized in Australia (Shergold, 2004). Under the slogan «working together», the Australian government emphasized the need to build a supportive public-sector culture that encouraged whole-of-government solutions by formulating value guidelines and codes of conduct. The formalization of ethical rules for the central civil service in Norway in 2005 is another example (Christensen and Lægreid, 2011a). Just as post-NPM was mostly a reaction to NPM, so post-NPM may raise some concerns that lead to more specialized elements being reintroduced in reforms, as illustrated in our case. First, the structural and cultural complexity implied by post-NPM may lead to further hybridity (Christensen and Lægreid, 2011b). This, in turn, may produce more flexibility and legitimacy, but also more conflicts, ambiguity and chaos. Second, post-NPM challenges the capacity of political and administrative leaders, which begs the question of whether everything has to be coordinated or integrated, or whether some levels, sectors, policies or issues can manage without. As «wicked issues» reach across levels, sectors and policies, capacity problems may increase. Third, and highly relevant in our case, coordination challenges the capacity of single civil servants concerning the breadth and depth of their professional expertise. On the one hand, deep expertise may potentially prevent coordination and integration, while being a generalist may be insufficient in the face of increasing complexity and coordination.

When two reform waves or sets of ideas confront one another, like NPM and post-NPM, there may be different general mechanisms at work. According to a *replacement hypothesis* there will be pendulum swings. Post-NPM represents a new era of administrative reforms replacing the former reforms of NPM. NPM is allegedly dead (Dunleavy et al., 2006) and we are facing

a paradigmatic shift towards a new reform movement underlining networks, partnerships, increased integration, coordination and central capacity. There is an integration process going on coupling different welfare state tasks and services into new cross-border organisational arrangements.

Generally, we are sceptical towards such an explanation and it certainly does not fit our case, where NPM elements have modified post-NPM ones. An alternative hypothesis that comes closer to our view is the idea of *layering,* whereby reforms supplement or complement one another (Christensen and Lægreid, 2010; Streeck and Thelen, 2005). New reforms are added to old reforms in a layering process, making the reform landscape more hybrid and complex. Rather than replacement we see rebalancing, adjustments, continuities and mixtures of old and new reform features. Mergers and partnerships are installed, but NPM features are not rejected, and traditional bureaucratic forms of specialization and coordination are reintroduced in new versions. We may face coupling, followed by decoupling, and the reintroduction of traditional bureaucratic forms of specialization partly inspired by NPM.

3 Theoretical approach

The theoretical departure for this paper is a transformative approach (Christensen and Lægreid, 2001; 2007; Christensen et al., 2007), which points to structural, cultural and environmental factors to explain the processes and effects of public reforms, i.e. in our case coupling and decoupling through reform and reorganization. The first component of this approach is a *structural-instrumental perspective* based on the concept of bounded rationality (March and Simon, 1958). This perspective implies that decision-makers in reform processes have limited time and attention and cannot address all goals, all alternatives or all consequences. They face problems of capacity and understanding and have to select decision-making premises and decide where to focus their attention and resources. Formal structures and procedures organize some actors, cleavages, problems and solutions into reform processes, in this case the welfare administrative reform, while others are excluded (cf. Schattschneider, 1960). Thus, organization is politics by other means, and structures are important because they influence outcomes (Meier, 2010). Therefore the formal organizational structure of public organizations represents an important selection mechanism that constrains as well as enabling the service delivery process. Their quality depends on their success in balancing unity, integration and system coordination on the one hand and diversity, flexibility and local (government) autonomy on the other (Olsen, 2004).

Based on this perspective we would expect the reorganization of the welfare administrative reform in Norway to be dominated and hierarchically controlled by top political and

administrative executive leaders or characterized by a negotiation process between them. The motivation for the reorganization is expected to be that the main goals of the reforms – i.e., getting more people on welfare into the workforce and creating a more service-oriented apparatus that works more efficiently – is supposedly more easily fulfilled by decoupling than coupling the services involved.

A *cultural-institutional perspective* is based on the notion that public organizations gradually develop unique cultural features as a result of an adaptation to internal and external pressure through natural processes (Scott and Davis, 2006; Selznick, 1957). The focus is more on informal norms and values than formal ones. The development of a public institution is characterized by path-dependency, meaning that the context and norms and values that prevailed when the institution was established will determine the path taken later on, i.e. «roots determine routes» (Pierson, 2004). When a reform comes along, cultural traditions will be confronted with new norms and values, and the fate of the reform may depend on the compatibility between reform and tradition (Painter and Peters, 2009; Verhoest, 2011). This implies that if cultural compatibility is high, a reform will easily be implemented, while if it is low, the reform will be rejected or implemented only partially and pragmatically (Brunsson and Olsen, 1997).

This perspective may see the development from coupling to decoupling as derived from the professional norms and values prevailing in public organizations. When a reform brings about integration, coordination or mergers, this often means that the professional cultures of different organizations or units confront one another, so that the success of the reform depends on whether these different professional cultures can be integrated. This also applies to the reform of the welfare administration in Norway. The merger of the pension service, which had a Weberian culture, and the employment service, which had evolved a more modern culture having been exposed to competition from private actors, brought two rather different cultures together. The merger also extended to local partnerships with the social services in the municipalities, thus involving yet another professional culture and presenting a further integration challenge. A crucial question to be analysed here, then, is whether the reorganization of the reform brought about by decoupling was the result of three professional cultures each trying to keep to their cultural paths and thus obstructing or modifying the reform.

Third, an *environmental perspective* divides the environment into two parts, the technical and the institutional environment (Meyer and Rowan, 1977). The technical environment influences the instrumental or internal structural elements of public organizations via

resources or services delivered or received. Demands from the technical environment may change the internal structure as part of a reform, for example in times of crisis or strong pressure, as was the case when economic problems prompted New Zealand to introduce NPM-related reforms in the early 1980s (Aberbach and Christensen, 2001). The institutional environment deals with taken-for-grantedness and myths in the environment and processes of isomorphism. International organizations, multinational consulting firms, important single countries or dominant national organizations may further certain reforms such as organizational solutions/models for public organizations (Sahlin-Andersson, 2001). These are adopted to further legitimacy in public organizations by giving them a more modern image. In this case, political leaders use reform symbols as window-dressing (Brunsson, 1989).

Using such a perspective one can first ask whether there are events or crises in the environment that lead reforms from coupling to decoupling. Second, we can ask whether certain symbols are evoked that lead to this decoupling?

We now turn to the Norwegian reform of the welfare administration, which is an example of how hybrid organizational solutions were launched that represent an unstable balance between competing principles and considerations inspired by both post-NPM reform ideas and NPM features.

4. The 2005 reform – coupling through merger and partnership

One of the major challenges for the Norwegian welfare services as they existed before 2001 was institutional fragmentation, i.e. they were located in different ministries and agencies and at different administrative levels. This created obstacles for clients with complex problems, in particular the so-called multi-service clients (Christensen, Fimreite and Lægreid, 2007). In 2001 a big majority in the Storting asked the government to start a process that would eventually lead to the merging and coordination of three services – the central government-based pension's service and employment service, and the social services based in local government. This became a rather ambiguous and symbol-oriented initiative – labelled «one welfare administration» – because it was politically unthinkable for either the central or the local level to take over all the services (Christensen, Fimreite and Lægreid, 2007).

The conservative-centre minority government's report to the parliament basically argued that the existing fragmented structure was the best one. The Storting sent the report back, saying that the government had not responded in an appropriate way to the wish for a unified service. The government then established a public committee consisting of academic experts on welfare policy and administration (Christensen, Fimreite and Lægreid, 2007). The committee

supported the government in its resistance to any merger or major collaboration between the services. The incoming minister in 2004, now the head of a labour and social ministry embracing all three services, then proposed a compromise that was accepted by an overall majority in 2005. The main goals of the new welfare administration were to get more people off welfare and into work and to be more efficient and user-friendly.

The new welfare administration reform had two major elements. First, it merged the pensions and employment agencies, from top to bottom, into a new welfare agency (Askim et al., 2009). In terms of its relationship to the ministry this was established as a rather traditional agency, meaning a combination of independence and unambiguous political control, which reflected the political salience of the policy area. Merging the two former agencies into a new central welfare agency, with units at the regional and local level, increased both structural and cultural complexity, i.e. units and employees had to be merged and moved around in a complex process, and professional milieus with different norms and values were pressured to collaborate and develop a new, more holistic culture. The new agency was also rather complex in its internal structure, with several central staff units and a major organizational division between the ordinary line organization on all levels and a «specialist units division» encompassing both country-wide support functions and the pension's policy area (Askim et al., 2009). It also included an internal purchaser-provider model within the central agency, which was later modified (Simlenes, 2011).

Second, a mandatory «one-stop shop» was established as a physically co-located local partnership between the three services, which produced the rather unusual combination of a central and local hierarchy. A central agreement was reached between the national organization for municipalities and the ministry, followed by local agreements that had both mandatory (co-location, financial social assistance as a minimum service from local government, one office in each municipality) and discretionary elements (joint or dual management structure, adding extra local sub-services) (Fimreite and Lægreid, 2009). The idea was also to change the employees' role behaviour in the one-stop shops from specialists to generalists, so they became «modified generalists».

Most of the local partnerships applied a unified management model and added several local services to the one-stop shops (Aars and Christensen, 2011). The local offices that changed the least were those in the large cities where the common model was a divided leadership, whereby former service units were retained inside the new local offices, potentially making it more difficult to develop a real unified service. On the one hand, the central government, through the new agency, could easily benefit from and dominate such a partnership, because

it seemed to be asymmetrical. But the organizational model was a compromise, where the new central agency's wish to use the principle of a local unitary management model and a standardized task portfolio did not prevail. On the other hand, the local welfare offices gave the municipalities an opportunity to receive resources to solve tasks related to social services, and they also used this opportunity to include many other local services in the offices.

When the new organization was established, the unions managed to get an agreement that no employee would lose their job, making it more difficult to fulfil the goal of more efficiency and aggravating the complexity of the organization (Askim et al., 2010). It was also argued strongly that there should be one welfare office in every municipality, which, given the number of services and sub-services, presented a challenge for local competence. Politically, however, this was understandable given the political concern to strengthen the legitimacy of the reform in the municipalities. The regional level in the new welfare organization thus lost out both to the central and to the local level, but this was later to change.

5. The 2008 reorganization of the reform: decoupling through hierarchy and specialization by tasks

The reorganization of the reform in 2008 had two central components (Christensen, 2011; Christensen and Lægreid, 2011c). First, it established six regional pension units and other special units for complaints, foreign affairs, control and physical aid, which meant moving employees from the local offices up to the regional level and implied a vertical de-specialization or integrative movement. The units were not put in the main line organization, but were subordinated to a central agency department for special units, entailing a kind of horizontal differentiation. This reorganization to a large extent removed pension services from the local level and coincided with a large pension reform and the introduction of a new ICT system for pensions (Førde, 2011).

Second, at least one administrative welfare unit was established at the regional level in each of Norway's nineteen counties to handle rights-based services and benefits. Altogether there are now 37 regional administrative welfare units. They were placed in the main line organization, under the leadership of the NAV county director, i.e. they represent, like the pension units on the regional level, a change in the direction of vertical de-specialization, but not a corresponding horizontal change. The reorganization also moved more local employees in the NAV administration up to the regional level. Altogether this movement towards back-offices implied a clear weakening of resources in the local NAV offices and a strengthening of the regional level which is closely supervised by the central level of the agency.

The more general principles of casework also changed with the reorganization. The original idea of the welfare reform was to have local offices that could handle all kinds of questions, i.e. a broad general ideal, something that was pretty ambitious given the fact that the NAV has 50-60 sub-policy areas or sub-services. The reorganization in 2008 formally left this principle intact but indirectly undermined it by simultaneously subscribing to the principle of economies of scale and the importance of having specialists on the regional level handling most questions, as a way of promoting efficiency, professional quality and the equal treatment of cases (Christensen, 2011). Since moving a lot of employees up to the regional level left the local offices more vulnerable concerning resources, even though they had also lost a lot of tasks, it became more common to urge the local offices to collaborate or offer specialized assistance on certain task portfolios within a county. Internally, in each office, it also became more common to let employees specialize in three or four sub-services, meaning a combination of generalist and specialist task-handling. Altogether this represented a move away from the ambition of establishing a new generalist role and towards re-specialization (Helgøy, Kildal and Nilssen, 2011).

While the goal of the original reform was to have local units handle most of the case-work in the welfare administration, the 2008 reorganization was based on a principle of level differentiation in the decision-making process involving five phases or sub-processes. The local offices were to be given the task of informing clients about the various welfare policies and opportunities for support and services, and of receiving all the different types of applications. However, the actual handling of the cases was now mostly entrusted to the new regional/county units. Once decisions had been taken about payments, these were to be made by the regional and national level, while it was the local offices' job to support clients, in getting work, for example. So the local offices were assigned tasks 1 (informing), 2 (receiving applications) and 5 (follow-up) in the decision-making and handling chain, while the regional and/or central level were given tasks 3 (deciding) and 4 (paying) (Christensen and Lægreid, 2011d).

The reorganization also changed the system for how clients approached the welfare administration. The original reform was based on a 'one-door' principle, meaning that clients, particularly multi-service users, only had to come to one physical location. In the reorganization of 2008 there was more talk of a modern «three channel-strategy», meaning that the number of clients who had to actually show up at the local welfare office was reduced and instead services were also provided via the internet or by telephone, with the latter entailing the establishment of large regional call centres.

After the reorganization of the reform in 2008 there was a lot of public and political debate about the NAV reform, including several periods of crisis and a public hearing in the Storting (Parliament) based on a very critical report by the General Auditor's Office. There are many reasons for this. One is that it is generally difficult to make such a huge organization adapt to a complex and hybrid reform. Another is that part of the coalition behind the reform subsequently turned against it in some respects. Our elite respondents report that their experience of the opposition in the Storting became more negative, with employees' unions and client organizations also adopting an increasingly critical stance. This generally critical attitude was seized on by the media, which found a lot of sad individual cases (not a difficult task in a public service of this kind) to illustrate the problems of the reorganization. The General Auditor's Office was also eager to show that the reform had been a failure. All this is in rather stark contrast to the main sentiments of the elite respondents we interviewed who spoke rather favourably of the effects of the reform and the urgency of the 2008 reorganization.

As a result of all the criticism and crises, the Ministry of Labour in 2010 established an expert group to analyse the organization of and activities in the local welfare offices and the county administrative units, and in particular their interaction and division of tasks – in other words to look primarily at one central part of the reorganization of the reform (Christensen, 2011). The group's assessment was rather critical, pointing to problems of productivity and quality in service provision, but also to increases in the number of clients, particular those seeking assistance from the employment service, and to the huge problems of implementation and adaptation of the new structure. Even though the group was critical, like our elite respondents, it mainly supported the reorganization of the reform in 2008 and also thought that the welfare agency had been able to counteract some of its negative effects with compensatory measures.

6. Discussion: competing principles of organizing and decoupling

Generally, increased coordination may result in an increased need for specialization, but which specialization principle is selected will be of considerable significance for the choice of coordinating mechanisms. The first question is, therefore, whether the same specialization principle shall apply at both the central and local levels or whether these principles can be at variance. The next question concerns the implications this may have for multi-level coordination as well as internal coordination at the different levels (Fimreite and Lægreid, 2005). For example, if the central level is organized by sector and the local level by clients (or process or area), will this imply weak vertical coordination between the central and local levels while horizontal coordination within local government is well-established? Will the

result of this be increased autonomy and holistic thinking locally? And will this, in turn, present a challenge to integration between the two levels of government, resulting in the need for new coordination measures designed to counteract the consequences of autonomy?

Askim et al. (2011) distinguish between the following dimensions with respect to the one-stop shops or local welfare offices: a) whether the task portfolio is narrow or broad, shallow or deep (partial or complete product closure); b) whether the participant structure is simple or complex; c) whether autonomy is low or high; d) whether the proximity to citizens is distant or close; and e) whether the instruments are integrated or not. The Norwegian welfare partnership arrangements were originally characterized by a broad, but shallow task portfolio, a complex participant structure, a low level of autonomy, close proximity to citizens, and high degree of integration in the instruments used.

After the reorganization of the reform in 2008 the task portfolio of the one-stop shops became narrower and also shallower. Fewer policy areas and tasks were addressed locally and only some phases in the decision-making process were left to the one-stop shops: informing, receiving applications and follow-ups, but not deciding or paying. The participant structure was made even more complicated by the addition of regional administrative layers with administrative units and pension units. The local autonomy was not altered. It remained limited, with little leeway or discretion for the one-stop shops regarding the organizational arrangements. The establishment of regional units made proximity to citizens more distant, as did supplementing direct contact with call centres and internet solutions. The local-regional divide made the instruments somewhat less integrated.

In the second phase of the reform, however, there was a partial organizational reversion and decoupling of tasks. This was brought about by a weakening of integration in partnership arrangements and a transfer of tasks and responsibilities to organizations at the regional level specialized according to task and purpose. While the reform process started as a purely administrative reform decoupled from policy changes, which were indeed minor, the second phase was to a greater extent informed by the upcoming big policy reform - a new pensions system. This triggered a coupling between the administrative reform and the policy reform. The new pensions system needed an administrative apparatus that was more specialized according to task (pensions) and less holistic, integrated and cross-boundary. Some welfare services (especially pensions) have a stronger focus on national standardization and equal treatment across geographical areas, while others (such as social security and labour) are more open to local variations and discretion (Fimreite, 2011). Thus the first type of task

favours specialization according to task while the second favours specialization according to area.

So the answer to the problems the reform produced was to establish specialized administrative units on the county level, which undermined the basic geographical principle of the reform and established a complex structure that combined a slim-downed front-office with specialized back offices. This was thought to increase efficiency through economies of scale or synergy effects, raise the professional quality of the decisions by increasing the critical mass of experts working together, and make treatment more standardized in 30 to 40 county back offices than in local offices in 430 municipalities, in which practices had previously varied. The rather unusual arrangement of specializing the processing of cases by spreading it over two levels was also seen as relieving pressure on the local level, which was then left to specialize in informing, receive applications and following up, instead of having to deal with a broad-spectrum task portfolio. The workload of the local level was also reduced by moving from a «one-door» to a «three channel» solution, showing the relevance of an environmental perspective. Technically it was no longer necessary for all clients to show up at local offices in person. Instead, they could choose the mode of communication best suited to their problems and abilities, and institutionally this was supported by a new set of symbols casting this differentiation as «modern».

Thus, the reform dynamic can be understood as a learning process. The trajectory of the NAV reform followed a sort of stimulus-response pattern regarding specialization and coordination (Bouckaert, Peters and Verhoest, 2010). The reform itself had a clearly holistic, integrating ambition focusing on coordination issues. But in the reorganization of the reform in 2008 the organizational model was somewhat rebalanced towards re-specialization. This implied increased internal horizontal specialization between pensions and employment/social services and between different phases in the decision-making and service-providing process, which taken together represented a geographical centralizing integration process strengthening the regional level vis-à-vis the local one. This represents a mixed order of different organizational principles (Olsen, 2010). Rather than purifying one single organizational principle in a stable organizational model, we face a system in a state of flux that blends different types of specialization and coordination over time. All types of specialization have advantages and disadvantages and if one principle becomes too dominant it may trigger a counter-reaction whereby the opposite principle is reactivated and the mixture of complementary principles rebalanced.

Another interpretation of the reform process is to look at it as a two-phase model of reform implying a sequencing path, whereby the local one-stop shops should be completed before embarking on developing regional units. Capacity problems, reform complexity and goal conflicts imply a sequential attention to goals (Cyert and March, 1963). First, the merger and the establishment of local welfare offices had to be implemented, then this model had to be recalibrated, because the whole new organization lacked the capacity to do everything at the same time.

7. Analysing the reorganization of the reform: a mixed order

Why were some of the central principles of such a huge administrative reform reorganized again after only a few years? In the first phase of the reform process in the Norwegian welfare administration, parliamentary politicians were the main reform agents, having a greater say than either the executive politicians, the experts or the central bureaucracy in the choice of organizational model (Christensen, Fimreite and Lægreid, 2007). In the second phase of the reform the actor constellation was the other way around, proving Patashnik's (2008) assertion that it is important to understand the regrouping of the actors' field in the implementation phase.

If we look at the control aspects and influence patterns of the welfare administrative reform, the whole basis for the reform was a request from the Storting to create a single service and strong local offices, while the compromise proposed by the minister in order to get all the actors on board was the 'bait' of a local partnership. At the time when the reform was decided on it was important politically to have some kind of merger of services combined with an incentive for the municipalities and social services to go along with it. However, the reform was mainly decided against the will of the administrative leadership in the ministry and the former employment administration; hence the post-reform repositioning.

The reorganizations of 2008 brought back elements from the pre-2005 process in the sense that the pension services became more of 'an organization within an organization', in accordance with the original wishes of conservative ministers, the administrative elite and the expert committee, which had proposed letting only the employment service and social services collaborate more locally instead of merging. After the reorganization of 2008 this became the core local element. The parliamentary politicians were now less active participants, the executive politicians became more active and the reorganization of the reform was mainly seen as an internal managerial process where the agency leadership dominated, i.e. the main reform process and the reorganization process had different actor structures and therefore different results. In both phases, however, the process typically

scored rather low on clear organizational thinking, which instead was changing, ambiguous and not well founded, despite the inclusion of experts. Actors shared common goals but proposed widely differing routes for arriving at them. This seems to be typical of reform processes in many countries, because the societal and public structures, cultures and interests that must be catered to are becoming more complex (Pollitt and Bouckaert, 2011).

So why did the solution originally leading to the reform – which constituted a response to the «wicked issue» of fragmentation – eventually lead to more fragmentation and decoupling again in the reorganization of 2008? Our take on this involves a combination of instrumental, cultural and environmental features. One *instrumentally* oriented answer to this is that the leaders of the welfare agency thought that the new reform structure was not working well and that it created all sorts of problems, i.e. solving one «wicked issue» produced several others. The reform was too broad, showing the weakness of using post-NPM principles too extensively. There was an increasing recognition that specialization by purpose had many advantages and that silos existed for good reasons (Page, 2005). The pension services did not overlap much with employment and social issues, because they had a lot of one-service users, i.e. retired people, and the pension reform, and the reorganization that followed, gave the leaders an opportunity to «purify» this service more and to improve it through a new ICT system (Førde, 2011). This «flight» of one of the services made it easier to focus on the core of the reform – the collaboration between employment and social services whose aim was to get more people into the workforce and to handle multi-service clients better.

The 2005 reform was the result of a compromise where the central political and administrative leaders partly lost out to the Parliament. Now in the implementation phase, which was more internal, it was time for these actors to strike back and use hierarchical influence to create an organizational model that was closer to their wishes. The core actor in this reorganization was the top leadership of the new agency. Added to this, following the reorganization of 2008, the employment services, which originally had opposed the reform, managed to retain a more central position in the central NAV agency than the pensions service. They thus ended up with an organization, including regional units, that looked more like their old employment organization, in other words the structural reforms exhibited path-dependency, i.e. a cultural-institutional explanation (cf. Krasner, 1988).

For most of the elite respondents we interviewed on the central level it was rather self-evident that establishing the regional/county units for the pensions and administrative services would support the local level and make it better. Even though it may sound somewhat paradoxical and controversial, particularly seen from the local level, to say that moving resources and

tasks away from the local level and up to the regional level was a win-win situation for both levels, the arguments were, as already noted, that larger units on the regional level all represented improvements in efficiency, quality of competence and equal treatment of cases. Again this is an instrumental argument that could be defended based on the expected effects of the new regional units, but is less easy to accept as an overall good solution for the organization, particularly at the local level.

One reason for the reorganization of 2008 was that a huge pension reform was eminent that would anyhow result in some kind of reorganization of the pensions administration. Whether that would also have led to the reorganization of the other two services is may be more debatable, but that was the respondents' argument. The chances of the reorganization of the pensions administration succeeding were greatly improved by major investment in a new ICT system, while the other two services and their new administrative units on the county level still had to struggle to cope with four or five different old ICT systems for their services, even though they too were in the process of digitalizing and scanning documents. So there were good instrumental reasons to reorganize for improvement.

But why not strengthen the remaining tasks in the local welfare offices instead of moving resources up to the regional administrative units? The answer to this question requires a combination of *instrumental* and *cultural explanations*. The main instrumental answer is that in many municipalities, in particular the medium-sized and small ones, the resources were not sufficient to handle such a complex task portfolio. This created concerns about equal treatment in different geographical locations and efficiency concerns. A more cultural answer would be that the complex task portfolio demanded a higher level of competence from the employees; in addition the new mix of people brought about by the reorganization meant that some people lost the tasks they had previously performed and had to learn new ones.

An additional explanation for why a reorganization took place that reintroduced elements of the original arrangements is that it was in a sense natural to develop the new welfare organization further after 2005. This is a typical cultural argument. Seen from a capacity point of view it was difficult to cope with more than merging two national services, establishing a local partnership and gradually establishing all the new local welfare offices. The public documents that prepared the way for the decision on the reform in 2005 mentioned that some of the services needed to develop further and to establish larger units for handling cases, i.e. a gradual development was better than making all the changes at the same time.

Also the pressure from the *environment* changed and was less important during the implementation process, and the symbols used changed as well. The Parliament played an important role in deciding to go ahead with the reform in the first place, but was understandably a much weaker actor in the implementation phase, which was more internally based. The media also paid less attention to the problems of the reform for some years and only became more critical once the reorganization had taken place and produced problems of a general nature. The organizations of users and civil servants were also rather weak in the implementation phase. All this made it possible for the leadership of the agency to switch from the «one door» symbol to the «three channels» one, only one of which involved clients meeting staff face-to-face at the local offices. This also implied changing organizational principles, because the regional level was expected to cope with the other channels, i.e. the internet contact and the call centres connected to «back offices».

We may characterize this development as a complex, mixed and unstable order (Olsen, 2010) that in different ways balances elements from the old public administration, NPM reforms and post-NPM reforms (Christensen and Lægreid, 2011b). Rather than pendulum shifts we observe layering and sedimentation (Streeck and Thelen, 2005). The «messy» patterns that emerge constitute a continuation of understanding combined with ad hoc and politically driven adjustments, leading to diversification (Lodge and Gill, 2011). Multi-dimensional orders that may be hybrid are considered to be more resilient to external shocks and therefore preferable to uni-dimensional orders (March and Olsen, 1989). The emerging complexity reflects the central elements of a transformative approach: the hierarchical efforts of controlling the reform processes, influenced and partly modified by the elements of negotiations and heterogeneity, the complexity of cultural elements and historical-institutional legacy, the pressure from changing technical environments and the competing reform myths from the institutional environment. The welfare administration case shows that the expected effects are problematic to fulfil for political and administrative leaders. The overall performance of the new system has not lived up to expectations, so even though central control has been achieved, the local partnerships and offices are struggling to deliver on the main reform goals.

8. Conclusion

In this paper we have revealed that uncovering the linkages between administrative reforms and public policy is more complex than it appears at first sight. Administrative reforms create new institutional structures, which will drive change in public policy, but not necessarily in the direction expected by the reform agents. New policy initiatives, such as the pensions reform, also affect the administrative reforms and change the structural arrangements. So

there is obviously a co-evolution between administrative structure and public policy, and the relationship between them might be better understood as mutually affected processes rather than clear cause-effect relations.

Coordination and coordination mechanisms are challenged when principles of organizational specialization undergo change (Verhoerst and Bouckaert, 2005). The principles of specialization are concerned with tasks and relationships, which should be regarded in conjunction and coordinated, and which could be kept detached. And different specialization principles will enhance different networks, identities and conflict patterns. An organization specialized according to the geographical area served will encourage policy-makers to primarily pay attention to particular territorial concerns. Redesigning sectorally specialized organizations into geographically structured ones would thus tend to transform functional conflicts into territorial conflicts (Egeberg, 2001; 2004). This was a major concern of the reform in 2005 with its focus on the local level – a focus that shifted to the regional level in 2008. Sector specialization has a tendency to weaken relations that have developed territorially, for example in geographically based units such as municipalities, and to strengthen policy standardization across territorial units. When the administrative units were reorganized in 2008 there was some discussion about whether even larger regional units were more feasible. However, the geographical-political interests of the county branch of the agency led to a decision against this. Thus, structures and specialization principles are value-laden and they institutionalize biases in favour of one set of clients or users over others (Meier, 2010).

The NAV reform is an administrative reform aimed also at strengthening the steering capacity of the welfare administration. A complex multi-level system including a mixed order of hierarchy and network has been set up. The network is represented by the partnership model between the central and local government, while the hierarchy obviously extends from the central government – i.e., the ministry, via the central agency to the regional units and below. The local network represents coordination through mutual adjustment rather than hierarchical steering (Bouckaert et al., 2010). An organizational model that implies use of these two forms at the same time is challenging.

To make it even more complicated the organizational specialization in NAV has an inbuilt tension between specialization by geography, purpose, client and process. While territorial specialization tends to enhance local and municipal issues, specialization based on purpose tends to standardize across geographical entities and to see tasks in connection with one another within the sector. NAV encompasses both tasks that are independent of place – i.e.,

those based on national standardization and equality, like pension issues – and place-related tasks based on local geographical discretion and leeway, such as employment-related issues and in particular social services (Fimreite, 2011). The challenge is to combine specialization principles in such a way that both considerations are addressed.

The NAV reform represents an unstable balance between territorial and sectoral specialization and between coordination by networks and by hierarchy. The partnership model was launched as a Columbian egg that should balance these considerations (Fimreite and Lægreid, 2009). Our analysis reveals that this is a demanding and delicate balancing act. Specialization by process is higher on the agenda, and standard operational procedures in the bureaucracy represented by coordination by hierarchy and specialization by purpose seem to have gained the upper hand at the expense of coordination by networks and specialization by geography. The establishment of administrative units and pension units at the regional level subordinate to the central agency is a clear indication of this development.

In 2008 the reform went into a second stage. Some of the organizational measures introduced in 2005 were modified or partly reversed. The bureaucracy bounced back and restored specialization by purpose but with a somewhat different flavour than before. Tasks and resources were moved from the local partnership agencies in the municipalities to governmental bodies at the regional level. In contrast to local government with political decentralization to politically elected bodies, the regional units were branches of the central agency and thus represented administrative decentralization or delegation. Thus now the main specialization principle was by purpose or task and not by geography. It was supposed to bring about standardization across regions and within the same tasks, but variation between different tasks. To some extent this last reorganization represents one step back towards the original organizational model, but the pendulum has by no means swung back to the starting point. It is, however, a paradox that integration and improved inter-organizational coordination as well as increased coordination between central and local government, which was one of the main goals behind the NAV reform, is still a big challenge (Fimreite and Lægreid, 2008).

Our analysis of the Norwegian case reveals a reform process that has produced complex and unstable solutions that in different ways attend to a balance of different principles of specialization and coordination, and their combination. The complexity that emerges reflects the fact that hierarchical efforts to control the reform process are constrained by problems of rational calculation. The case also shows that expected effects are problematic to fulfil for political and administrative leaders. The overall performance of the new system has not lived

up to expectations, so even though central control has been achieved, the local partnerships and offices are struggling to deliver on the main reform goals (Askim et al., 2010). There seems to be a stimulus-response pattern between specialization and coordination as well as between different types of specialization. We have revealed a reform process that started out as a coupling of the relationship between organizational structure and service delivery and that sought via merger and partnership to better handle «wicked issues» but that subsequently became a partial decoupling via re-centralization and re-specialization to address more specific service delivery tasks.

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