

Hurdles to the Third Sector and the Democratization of the Welfare State.

by Victor Pestoff

This paper addresses the potential of the third sector in democratizing the welfare state in Sweden. Elsewhere, I consider some major issues concerning the relationship between the third sector and the state in democratic and welfare theory (Pestoff, 2005a). Numerous political indicators suggest that we may be witnessing the gradual “withering away” of several vital institutions of representative democracy. Other evidence suggests that the citizens are finding or perhaps even founding new channels of participation and influence alongside the more established ones. However, these new channels are not yet institutionalized or formalized, nor fully recognized in democratic theory or political science. But, an increasing number of Swedes participate actively as co-producers of personal social services that they consume themselves. There is also an increase both in volunteering and giving money to organizations with charitable or humanitarian goals. Do these mixed signals concerning citizens’ participation indicate a growing crisis for representative democracy and the welfare state, or a rejuvenation of both, based on greater direct participation in new forms of democracy and in the provision of welfare services?

The provision of personal social services concerns most Swedes directly in one way or another. The annual long-term economic forecast (*Långtidutredning, 2002/03, LU*) produced by an independent public body focused on the sustainability of the Swedish welfare state until the year 2020 (SOU 2004:19). Sweden faces rising demands and expectations, due to changing demographics. However, *LU* questions the viability of the universal, tax-financed welfare state in Sweden and argues that it not only faces major challenges in terms of its economic sustainability, but suggests that it will begin to collapse of its own weight after 2020. But, *LU* only takes paid work into account in its analysis. Alternatives like the greater use of the third sector for providing publicly financed social services are not considered, as they fall outside the national accounts system (*nationalräkningsskap*). Thus, according to *LU* macro-economics set the limit for both the public services provided to citizens and the role they can play in providing them, without citizens being able to influence either of them.

A parliamentary investigation known as the *Ansvarsutredning*/Responsibility Investigation/ posed a different set of questions and came up with different answers concerning the future of the universal welfare state in Sweden. It examines the overall balance of responsibilities between the central, regional and local levels of government in Sweden. In doing so, it also points to possibilities for citizens to take greater responsibility for their own welfare by becoming co-producers of the services they use. Their greater responsibility and participation in service provision can either be exercised individually or collectively (SOU 2003:123).

This paper explores the compatibility of a more active role for citizens in the production of their own personal social services with observations about decreasing citizen participation in the formal channels of politics. How could the growth in reflexive individualism and egoistic consumers be reconciled with greater citizen participation in the provision of their own welfare and personal social services? Moreover, would greater citizen participation be conceived as a threat to liberal representative democracy by elected officials, civil servants and social scientists? Or would it be welcomed by professional politicians and public administrators in Sweden, who would favor the potential long-term benefits for the sustainability of a universal, tax-financed welfare state and Swedish democracy over their more narrow view of politics as a zero-sum game, where they might be the immediate losers?

A. Political Hurdles to the Democratization of the Welfare State

1. Rational fools, foolish cooperators or frivolous policies?

Elinor Ostrom (2000a) summarizes decades of research on collective action and common pool (CPR) resources. She notes that the currently accepted theory of collective action assumes that individuals are helplessly trapped in social dilemmas without external help from a benign government. This has led to a form of policy analysis that presumes external authorities must solve all collective-action problems. The presumed universal need for externally implemented incentives is based, however, on a single model of rational behavior. Citizens, as resource users, are rational egoists, according to theories of economic man, and as such they are norm-free maximizers of immediate gain, who will not cooperate to overcome the common dilemma they face. However, this model provides an inadequate foundation to explain empirical findings from the field and the experimental laboratory related to non-market

settings. Thus, it is necessary to adopt a broader theory of human behavior that posits multiple types of individuals – including conditional cooperators alongside rational egoists– and examine how the contexts of collective action affect the mix of individuals involved.

Three important lessons can be derived from recent theoretical and empirical research based on the assumption of multiple types of players, including rational egoists and conditional cooperators who have adopted norms of fairness, reciprocity and trust. First, many individuals are motivated by social norms that affect intrinsic motivation. Second, it is possible for individuals who adopt these norms to survive in repeated situations where they face rational egoists as well as others who share similar norms. And, as long as they can identify one another, trustworthy fair reciprocators achieve higher material rewards over time than do rational egoists. In other words they can flourish. Third, achieving some reliable information about the trustworthiness of others is crucial to this accomplishment. Thus, information rules are as important (or more so) in solving collective-action problems than are changing pay-off rules, but the latter are typically the focus of public policy (*ibid.*).

She expands on this, noting that growing evidence demonstrates that it is time to reconstruct our basic theories of collective action and to assume that at least some participants are not rational egoists. At least some individuals in social dilemma situations follow norms of behavior – such as those of reciprocity, fairness and trustworthiness – that lead them to take actions that are directly contrary to those predicted by contemporary rational choice theory. Intrinsic preferences lead some individuals to be conditional cooperators – willing to contribute to collective action so long as others also contribute. Yet others will approximate the rational choice model. Thus, one needs to assume multiple types of actors rather than only rational egoists. But in situations where individuals have no information about each other's type, rational egoists will continually do better than conditional cooperators (*ibid.*).

Moreover, a substantial gap exists between the theoretical prediction that self-interested individuals will have extreme difficulty in coordinating collective action and the reality that such cooperative behavior is widespread, although far from inevitable. Her studies explore recent research on collective action, drawing from both experimental and real-world empirical evidence. “A central finding is that the world contains multiple types of individuals, some more willing than others to initiate reciprocity to achieve the benefits of collective action. Thus, a core question is how potential cooperators signal one another and [how to] design institutions that reinforce rather than destroy cooperation.” (Ostrom, 1999, p. 138).

This brings her to the delicate problem of designing institutions that enhance citizenship rather than crowding it out. Instead of relying on the state as the central top-down substitute of all public problem solving, it is necessary to design complex, polycentric orders that involve both public governance mechanisms and private market and community institutions that complement each other. Moreover, the preference for neat, orderly hierarchical systems needs to be replaced by a recognition that complex, polycentric systems are needed to cope effectively with complex problems of modern life and to give all citizens a more effective role in the governance of democratic societies (Ostrom, 2000a).

She explains that the policy literature stresses that citizens do not have the knowledge nor skills needed to design appropriate institutions to overcome collective action problems. Citizens should be passive observers in the process of design and implementation of effective public policy. The role of citizens is reduced to voting every few years between competing teams of leaders. The policy of giving all authority to a central agency to design rules is based on a false conception, that there are only a few rules that need to be considered and that only experts have the appropriate knowledge to design optimal policies. Instead of highly centralized governance systems, we need polycentric systems. Thus, a lot of contemporary policy analysis and the policies adopted in modern democracies crowd out citizenship. They do this by assuming that all citizens are rational egoists. This crowds out norms of trust and reciprocity as well as crowding out the knowledge of local circumstances and the experimentation needed to design effective institutions. Crowding out citizenship is a waste of human and material resources and challenges the sustainability of democratic institutions over time (*ibid.*).

She concludes that the assumption that individuals are able to engage in problem solving to increase long-term payoffs, to make promises, to build reputations for trustworthiness, to reciprocate trustworthiness with trust, and to punish those who are not trustworthy, leads to a different type of policy analysis than the assumption that individuals ultimately or merely seek their own short-term, narrow interests, even when everyone's joint returns could be substantially increased. The experimental situations described in Ostrom's studies result in a boundedly rational and norm-using behavior, which views all policies as experiments. Boundedly rational, local users are potentially capable of changing their own rules, enforcing the rules they agree upon, and learning from experience to design better rules (*ibid.*). Moreover, relative autonomous, self-organized resource governance systems may do a better job of regulating small CPRs than a single central authority for several reasons. They include

reliance on local knowledge, inclusion of trustworthy participants, reliance on partial or fragmentary knowledge, better adapted rules, lower enforcement costs, and redundancy. But there are some limits, namely: some appropriators will not organize, some self-organizations efforts will fail, local tyrannies may prevail, stagnation may occur, etc. (*ibid.*). However, the costs of such failures must be weighed against the price of central authority.

2. Co-production in public services

In many important areas of government activity, it is impossible to deliver services without the contributions of time and effort by clients. The Timedollar Institute (www.timedollar.org) states that co-production is an essential contribution needed from the ultimate consumer in his or her capacity as a student, client, recipient, patient, tenant, beneficiary, neighbor, resident or citizen. There is a renewed interest in understanding co-production or greater citizen participation in the production of public services. Alford (2002) explores the question of why public sector clients co-produce in terms of a contingency theory. He distinguishes between three sources of motivation for participation in public sector services: material, solidarity and expressive incentives. He examines four cases or spheres of participation in public-sector services in Australia ranging from the simplest to more complex ones: the use of post codes in postal services, participation by long term unemployed in training programs, maintenance activities by tenants in public high-rise housing complexes and taxpayer collaboration with income tax requirements (*ibid.*). Pestoff explores both parent and staff participation in parent co-ops, worker co-ops and voluntary organizations providing daycare services for preschool children in Sweden and contrasts them with the services provided by the public sector (1998 & 1999).

Alford (2002) notes that material rewards and sanctions are ineffective in eliciting the requisite client contributions of time and effort in all but the most simple of tasks. Rather, many clients are motivated by more complex non-material incentives, such as intrinsic rewards, sociality or solidarity and expressive values. These different motivators elicit co-production in different contextual circumstances. The more public value consumed by clients, the more complex the motivations for them to co-produce. He concludes that "...eliciting co-production is a matter of heightening the value that clients receive from the services by making more explicit its non-material aspects through intrinsic rewards, solidarity incentives or normative appeal." Thus, to the basic exchange where services are exchanged for money,

there is an additional exchange of the client's time and efforts for heightening the value the client perceives in certain situations.

Pestoff (1998 & 1999) employs the concept of "civil democracy" for direct citizen participation in the production of personal social services. He compares the participation of various stakeholders in the production of publicly financed, but privately provided childcare services in Sweden, including parent co-ops, worker co-ops or voluntary organizations with special pedagogics. He shows that the motives of parents for choosing one type of daycare facility or another provide a good indication of the values they hope to promote by becoming co-producers. Their motives can either be instrumental or expressive, but most parents combine both, similar to the pattern found by Alford (2002). Co-production and the work obligation associated with many alternative providers of daycare services in Sweden help to eliminate uncertainty in the relationship between producers and consumers of these services. It provides parents with greater insights into the quality of the service provided and influence on decisions of how to run the daycare facility. Moreover, the provision of personal social services through social enterprises that facilitate co-production changes the relationship between the state and citizens in a fundamental way. Citizens are no longer passive consumers who are defined mainly by their roles as taxpayers and voters who exercise their political rights every second, third, fourth or fifth year. Rather they become active participants in the production of important personal social services they demand themselves (*ibid.*).

Co-production in public services is the degree of overlap between two sets of participants in the service production process – regular producers or staff and citizens or consumer producers. Co-production is related by most analysts to cost reductions, higher quality services and expanded democratic opportunities for citizen participation. The flurry of interest in co-production in the early 1980s by analysts of public administration in America failed to generate sustained exploration of this topic. The lack of durable interest may reflect to some extent the severity of hurdles to be overcome before it could become accepted in political and professional circles. Numerous common points in the literature are relevant for relating this concept in the Swedish debate.

First, it is necessary to distinguish between different types of co-production according to the nature of the benefit achieved: individual, group and collective. In addition co-production has numerous other dimensions, like positive and negative, cooperative and compliant, active and passive, etc. Second, it is necessary to differentiate co-production from ancillary and/or

parallel production. Third, the role and attitude of the government is important for promoting greater citizen participation in the production of public services. Without governmental support it will not prove sustainable. Fourth, the motives for greater citizen participation in public services will vary and by emphasizing a single motive its promoters will fail to elicit a positive response from many groups.

Fifth, resistance by public employees and trade unions can be highly detrimental to the development and spread of co-production. It is therefore necessary to promote an extensive discussion of co-production to eliminate many unfounded suspicions and fears by professional groups. Finally, co-production can promote many positive social values and changes, and should therefore not be seen merely as a means to reduce costs, eliminate staff nor cut public budgets. Among other things co-production can promote the enrichment of the work environment and better service quality; and it can also help to rejuvenate democracy and alleviate growing voter apathy (Pestoff, 1998 & 1999).

Fennell (2001) takes both education and neighborhood security as examples of "local public goods". Although they are consumed individually, they are also public goods. They have two different dimensions, a consumption (individual) dimension and a composite dimension, related to public goods. The whole community has an interest in ensuring the quality of public goods because everyone in the relevant community experiences the impact of them, either positive or negative. Both education and security are critically important, not only for the direct consumers themselves, but also for everyone else within the larger community (*ibid.*, p. 4). The composite consumption of these goods by the relevant community generates larger public benefits – an educated or safe populace – that can be considered apart from the sum of benefits each individual user receives from consuming them. No one can be excluded from enjoying the benefit of such public goods. This gives society as a whole a stake in the quality of goods (or services) like education and neighborhood security. It both explains the widespread public provision of them, but also why citizens should care about the quality of that public provision.

As such, local public goods go beyond Hirschman's ideas of exit & voice (1970). Users are directly involved in producing the goods and determining the quality of the goods through their participation. Thus, their acts of consumption are also acts of production. (Fennell, 2001, p. 12). In fact, the consumers of such goods may be among the most important factors of production. There must be a critical mass of quality enhancing users to establish a baseline

level of quality. The daily participation of users comprises an endogenous component of good quality, which can not merely be replaced or augmented by additional exogenous variables like better management or more resources.

If quality enhancing users depart, this decreases the default pool of such persons and may encourage others to leave. Unless mechanisms exist to make cooperation contingent on obtaining the necessary group size, it may be impossible ever to form a sufficient coalition or “critical mass”. Thus, locks, bribes, norms and pacts are often necessary to achieve the critical mass. This makes local public goods more like an Assurance Game than the Prisoner’s Dilemma. Here the best payoff results from cooperation. Such cooperation can be expected if individuals are able to make cooperation pacts with each other. Public authorities should therefore encourage such pacts, or at least not discourage them.

Typical examples of co-production found in literature on the USA include public safety and security, education, fire protection, recreation and even solid waste collection and disposal (Percy, 1984). In a Swedish context important public services where co-production might be promoted include many personal social services, like childcare, basic education, higher education, health care, elderly care, handicap care, leisure activities, etc. In a universal, tax-financed welfare state, like that found in the Scandinavian countries, the consumer is a citizen, while the buyer or purchaser of services may be a public body, unless vouchers are used, and finally the provider of such services is often a municipal body. Although the services can be financed by taxes, fees or both; they may also require that the consumer of the services contribute some of his/her time to realize the full value of the service. Most personal social services also build on durable relations between the consumer and providers of such services rather than sporadic or occasional relations.

3. Parental participation and local schools in rural areas of Sweden

The village of Drevdagen, in the rural municipality of Älvdalen, illustrates the strength and weakness of parental participation in elementary schools. Parents initially opposed municipal proposals to close the local school in the mid-1970s. When the municipality nevertheless decided in late August 1983 to close it the parents started a school boycott and provided home schooling to defend their local school, rather than send their children 25 kilometers by bus to the public school in the town of Idre. In 1989 the government finally accepted their demands to keep the local school, and the first “Free” (read: non-municipal) school was a fact. In 1993

the *Riksdag* approved a law making public support for non-municipal or “free” schools possible. Since then several hundred “free” or private schools have been started, approved and now provide basic education. Many smaller “free” schools are run as local schools in sparsely populated rural areas or they have a special pedagogical profile in urban areas and are often organized as economic associations or not-for-profit organizations. Several of the larger and newer “free” schools in urban areas are organized as for-profit firms, and some even have aspirations to be listed on the stock-market. This has made the debate about “free” schools very ideological. The for-profit schools often receive more attention in the national media than the smaller ones, with a few exceptions. The “free” school in Drevsdag has, however, received a lot of attention over the years.

The National School Authority, *Skolverket*, made a special investigation and report on Drevdagen’s school in 2004, after a parent complaint about certain conditions at the school in December 2003 (*Skolverket*, Dnr 54-2003:3178). The report emphasizes four issues that conflict with the law regulating “free” schools, i.e., the principles for admission, control of the register, tuition-free education and initiating a plan of action to deal with other problems. The National School Authority made it clear that the school’s permit to provide elementary education could be withdrawn if the school failed to make the required changes. By October 2004 Drevdagen’s school agreed to meet these criticisms in the following fashion: to revise the application form so that it was clear to the parents that the school was open to all children, to follow the law concerning the register control, to inform parents that the education was tuition-free and to separate the parent council from the school and to initiate a plan of action for dealing with other problems. On the basis of this, the National School Authority decided to give continued support to Drevdagen’s school as a “free” school. We will look at each of these four issues briefly below.

First, concerning the issue of admission, the Parent Committee in Drevdagen required parents to state if their child had any special needs that would require organizational changes or increased resources. Parents were also required to guarantee that they had read the relevant information and provided the Parent Committee with important information concerning a child’s special needs. The school maintained that it needed such information for its planning and subsequent requests to the municipality for special resources. According to the rector, the school never refused to admit a child with special needs. However, the National School Authority considered it inappropriate to interpret the law in this fashion, since it could imply that children with special needs might be denied access to a “free” school. The only

circumstance when this would be permissible is if a child's needs imply considerable organizational or financial difficulties for the school (emphasis in the original, p. 10). Since "free" schools are required to report such needs to the local municipality, they can only refer to "considerable organizational or financial difficulties for the school" if the municipality refuses to cover the costs, *and* the school, after a subsequent analysis reaches the conclusion that admission of the child in question implies considerable organizational or financial difficulties for the school (*ibid.*).

Thus, Drevdagen's school was required to re-phrase its information to parents in the application form for new pupils. Note, however, that the Law on Free Schools also states that a municipality can refuse to provide financial support for pupils with special needs, if it would cause organizational or economic difficulties for the municipality (Chapt. 9, par. 6). This suggests that such pupils would be required to attend a municipal school where such support is available, rather than a "free" school, if it cost too much. Second, concerning the point on control of registers, Drevdagen's school failed to check the National Police Authority's Register of Criminal Offenders prior to hiring its staff. The school promised to do so in the future.

Third, concerning criticism about tuition-free education and parent participation we can note the following. In Drevdagen parents receive written information about the obligation to participate in different types of voluntary activities to support the school. They include weekly cleaning, the fall and spring cleaning, the sale of lottery tickets (*Bingolotter*) to raise funds, cleaning at the Idre Mountain site, and maintenance of the school building and premises. This information also underlines the importance of everyone's participation in order to prevent the school from being closed. Parents are required to guarantee that they have read this information and accept the school's values and requirements. It is the Parent Council, not the school that is responsible for organizing the parents' voluntary work; but parents automatically become members of the Parent Council once their child is accepted. The money earned by the parents' efforts is used for school trips and the purchase of pedagogical materials or other things required by the school (*ibid.*, p. 5). Many "free" schools in sparsely populated rural areas require a work obligation, similar to that practiced by most parent cooperative childcare services. Some parents may perceive this as an infringement on free access to the school.

In its report, the National School Authority argues that distinction between the school and Parent Council is non-existent, since membership in the latter is automatic. When it demands that parents either participate in the work or make a contribution to the school account, this is tantamount to taking a tuition-fee, which breaks the law (*ibid.*, p. 11). The school later assured that membership in the Parent Council was changed and it is now voluntary, rather than automatic, making the Parent Council independent from the school. The National School Authority appeared to accept this, at least for the time being.

The plan of action to deal with other problems included taking active steps to recruit qualified teachers, putting a qualified teacher in charge of all pedagogical development at the school, establishment of pedagogical development plans for all students with special needs, using a quality accounting system, etc. The National School Administration appeared satisfied with Drevdagen's proposal on these matters.

Local schools are considered important for the survival of villages in sparsely populated rural areas. Without a school most villages would lose the younger generation who move and villages then decline because of an aging population. Parental participation is considered essential for maintaining a local school. However, the National School Authority considers that requiring all parents to join the Parent Council and to participate in the maintenance of the school is tantamount to requiring a tuition-fee. There is a high risk that this line of reasoning will open Drevdagen up to "free-riding" and opportunistic behavior, making it more difficult to maintain the school in the future. This also provides an example of Elinor Ostrom's argument about central administrators crowding out active citizenship (2000a). Citizens are expected to be passive observers in the process of design and implementation of effective public policy. They should vote every fourth year and pay their taxes in the meantime. But, this also assumes that there are only a few rules that need fixing to design optimal policies and that only experts have the knowledge necessary to obtain optimal results. Ostrom maintains that such attitudes derogate citizens into knaves.

In 2004 the National School Authority, *Skolverket*, received no fewer than 49 applications to start new "free" schools from parents in sparsely populated rural areas, where the local school was threatened with closure (*DN*, 23/05-04). However, Drevdagen's school illustrates one of the dilemmas of "free" schools in sparsely populated rural areas, since they are very dependent on parental participation. A declining number of children makes it hard to sustain the local school, in particular when most municipalities are also faced with a declining

number of pupils in municipal elementary schools, due to demographic changes. They must allocate their scarce funds according to their own priorities, often with heavy competition between various social services, like childcare, elderly care, sports, etc. The problem becomes acute when one or more new pupils has special pedagogical or social needs. Municipalities can refuse to finance these special services at a “free” school, thereby denying the child the right to attend the local school and the school loses the revenue associated with those pupils. However, the National Association of Free Schools considers that general support to children with special needs, regardless of where they study would be the best way to resolve this problem (*DN*, 23/5-04).

If the number of pupils drops below twenty it can also jeopardize the future of a “free” school, as the financial base is considered too small. If a “free” school falls below this level it can apply for an exception from this rule. There were only eighteen pupils enrolled in Drevdagen’s school in the Fall of 2004. In such circumstances every pupil is worth its weight in “gold”, both in terms of income and costs. If, for example, a pupil has asthma or is dyslectic, the special costs for dealing with that will outweigh the income provided for normal school costs. A local “free” school may find itself having to turn down such students for lack of special funds from the municipality. This in turn may lead to screening, which is against the law.

Thus, pupils with special needs can put a “free” school in a dilemma. Either they must screen all potential pupils to avoid assuming an unusual financial burden that they lack the means to bear, and turn down pupils with various disabilities, or they must send all pupils with disabilities to municipal schools far from home and lose the revenue needed to keep the local school open. However, given the general school obligation, parents and pupils may find that the local school where all their neighborhood friends go is closed to them, due to a disability or handicap, and parents will have to send their child(ren) to a municipal school at a distance. Here, we see that several principles come into conflict. Moreover, sending children with special needs to municipal schools would result in an elite school, according to the National School Authority, which is also against the intentions of the law.

The problem of sharing costs between municipalities and “free” schools is not unique to sparsely populated rural areas, there are also problems in Stockholm and other major urban areas. Municipal elementary schools in Stockholm lost 3,460 pupils in recent years, while “free” schools have gained 3,890 pupils (*DN*, 30/11-04). Tens of millions of crowns are paid

for renting unused school facilities. This money could be used for other purposes, like expanding facilities at the gymnasium level, motivated by demographic changes and changing nativity rates in recent years. Daycare, after school care and “free” schools are invited to take up some of the surplus space in elementary schools. But it is often difficult to rent this space for other purposes or to separate it and return it the municipal school property company.

Moreover, parents will often discourage their children from continuing at a higher level in a problematic school, and the pupils will enroll in a “free” school instead. The Baggarmossen Junior High is 50 years old and was recently refurbished, but has a problem with its bad reputation. Well-educated parents are active in helping their children choose which junior high school to attend. Many “free” schools have taken root nearby in Skarpnäck, causing problems for Baggarmossen and the ward authorities (*ibid.*). It is possible to ask whether such parents should be chastised for promoting the best education opportunity for their children or should their children be forced to attend an inferior school? However, their choice of a free school means that funds for school rent take resources that could be used for other purposes. This may cause municipal authorities to perceive “free” schools as competitors for scarce resources and to lose sight of the benefits of greater parent participation in their children’s education.

Another problem connected with financing “free” schools is related to sponsoring, something strongly encouraged in principle by *Långtidsutredningen, 2003/04* (SOU 2003/04: 123) to guarantee the sustainability of a tax-financed welfare state. It recently became known that Islamic schools in Sweden can obtain generous sponsoring from wealthy donors in Saudi Arabia (*Kaliber*, a SR-program on 5/6-05 & *DN* 7/6-05). However, there were often strings attached. Sponsors demanded a strict conservative form of Islam, the Wahhabite or Salafis branch of Islam, with stringent clothing and behavioral codes. While sponsoring relieves some of the financial burden from municipalities for “free” schools, this is perhaps taking it too far. The Minister of Schools indicated that he would initiate an investigation into this phenomenon.

4. The third sector and functional representation of engaged users.

In a comparative European project on family policy and alternative provision, we examined the participation dilemma posed by Swedish childcare (Pestoff *et al.*, 2004). We wanted to understand why the new entrants to the field failed to gain any influence or direct

participation in the governance of childcare. The period from the 1970's to 1990's saw the entry of many new interests in a quickly changing and rapidly expanding field of service provision. How was it possible to maintain a monopoly of political influence shared exclusively by the municipalities and trade unions? It would seem logical for the new entrants like parents or workers, especially when organized in co-ops, and for other types of alternative providers to attempt to gain influence on the development and expansion of this new field. Their mere presence without representation certainly is not enough to provide them with influence. However, Sweden, as noted earlier, presents a dilemma in terms of citizen participation in governing the field of publicly financed childcare for preschool children. Sweden is the only country in the TSFEPS Project¹ with extensive parent managed preschool services that totally lacks institutional structures at the municipal level for the representation of alternative providers in the local governance of the field. Consultative bodies do exist in some major urban areas for discussions between alternative providers and municipal administrators, but they provide no opportunity for the alternative providers to meet other types of providers on a regular basis or for them to develop common viewpoints on important issues of common interest. By contrast, city-wide structures open to all providers of local childcare services are found both in Germany and France, where many alternative providers of childcare services also exist.

Nevertheless, Sweden has numerous alternative providers that encourage, if not demand high levels of user or parent participation in the management and decision-making of their own childcare facility. Thus, there is an unusual lack of congruency in the structures of participation in this field in Sweden. There is a high degree of participation and democracy at the micro-level of the individual childcare facility in many alternative providers, but none at all at the local or municipal level (Pestoff, 2004b). How is this possible? Are the alternative providers of childcare in Sweden so overwhelmed with the internal democracy found in their own small associations that they make no demands for representation of alternative providers in governing the field at the municipal level?

Given the long tradition of administrative corporatism in Sweden, in particular under social democratic governments, it is difficult to understand why the new providers of important personal social services like childcare, that affect the interests of so many social and political

¹ The TSFEPS Project, Changing Family Structures & Social Policy: Childcare Services as Sources of Social Cohesion, took place in eight European countries between 2002-04. See www.emes.net for details and reports.

groups, were not able to gain access to important political arenas at the municipal or national levels where childcare policies were developed and implemented. It was a cornerstone of Swedish corporatism, until the 1990's, to include the unions and employers in governing labor market policy. Representatives from both the trade unions for blue and white collar workers and academicians, like LO, TCO and SACO, and employer organizations, like SAF, sat for decades on the governing bodies of various labor market agencies, both at the national and regional levels (Pestoff, 2003). A similar pattern of corporatist representation developed in the area of consumer policy, but there were no natural representatives for consumers, as consumers are notoriously difficult to organize. So the consumer co-ops and trade unions were actively encouraged by the social democratic government to assume the role of consumer spokespersons. This was achieved in part by recruiting high-ranking trade union leaders to serve as the General Director of various consumer agencies in the 1950s & 1960s and in part by having balanced governing boards in the 1970s and 1980s with an equal number of consumer and industry representatives (Pestoff, 1984; Pestoff, 1989b).

Why then did a similar pattern of corporatist representation not develop in childcare, one that could help integrate the newcomers providing alternative daycare services? No simple or clear answer is available, but a few might be suggested. First, perhaps in the social and family policy spheres, introducing ideas of corporatist representation and countervailing forces appeared far-fetched. The need for promoting the representation of the weaker party was not seen as crucial for achieving the policy goals, as these individuals were the subjects or focus of such policies. Second, childcare is provided at the municipal level, not directly by the state. Administrative corporatism was not as prevalent at the municipal level as the central level. Third, since the municipalities were the principal providers of publicly funded daycare services, there was no need to encourage the inclusion of alternative providers in policy-making at the municipal level. The municipalities, after all, represent all citizens or inhabitants in a given geographical area, not just a single group or class of citizens, as was the case with labor market or consumer policy, where two opposing groups or classes were readily identified. Fourth, existing municipal actors may perceive new actors a threat, both in economic and political terms. The staff of municipal daycare providers may feel threatened in terms of their jobs and financial security; while the politicians and administrators responsible for governing and servicing municipal daycare service systems may fear the loss of political influence if new actors were recognized and included in local forums of policy deliberation.

Fifth, some municipal and even national actors fail to see any difference between small social enterprises made up of staff or parents and private for-profit corporations operating in several municipalities at the same time. Accepting parent and staff cooperative daycare may serve to breach the outer walls of opposition to private for-profit corporations. If you accept one then you must accept all the others, they seem to reason. Sixth, Swedish competition law lends some credence to such an interpretation, as an organization's social values cannot provide the basis for choosing between providers. So, political and ideological reasons may weigh heavily in opposing the inclusion of alternative providers. Finally, Sweden's tradition of a unitary rather than a federal pattern of government leaves less room for local variation with institutions of local representation in new areas, where new actors emerge, as witnessed by the exclusion of alternative providers of childcare (Vamstad, 2004a & b).

However, given the situation in Sweden today, where alternative providers of childcare services are responsible for nearly twenty percent of all daycare services for preschool children, where they are financed by public funds and must therefore meet some recognized standards, the question still remains: why are there no institutions at the municipal level that include representatives for all daycare providers? Clearly, there are numerous benefits of including alternative providers in local or municipal corporatist bodies for governing all providers in a given territory as seen in the French and German experience in the TSFEPS project on alternative provision of childcare in Europe. It would, therefore, appear logical to recommend that new ways to include alternative providers of daycare services be developed in order to accommodate them in the governance of daycare services in Sweden.

In addition, the value added by greater parent and staff involvement in many forms of alternative daycare services should be recognized in terms of its economic, political and social contributions to society. Parent and staff participation in democratically governed daycare services can contribute to alleviating the growing threat of a general disengagement by citizens of all ages from institutional politics in general, and from political parties, electoral politics and voting in particular. The need for developing new avenues to engage citizens of all ages in political issues of great importance to them and to give them a stake in the outcome of sub-municipal political decisions is growing (Pestoff, 2004b). Liberal representative institutions developed 100 or 50 years ago no longer appear adequate to mobilize and channel the political engagement of many citizens today (Sörbom, 2002). But before new channels of participation can be developed alongside the existing representative ones politicians must be willing to engage in a serious debate about rejuvenating democracy. New channels of sub-

municipal political participation should be recognized for the contribution they can make to rejuvenating democracy from below, and not merely be conceived as a threat to existing institutions and existing personal privileges of the political elite.

5. The Swedish Bill on Quality in Preschools.

The Minister for Children's and Youth Affairs recently presented a Bill on Quality in Preschools (Prop. 2004/05:11). It covered three areas of central importance for the future development of childcare in Sweden: a) the establishment of "Councils of Influence" in all preschools throughout Sweden; b) annual quality accounting for all preschools; and, c) changing the law in order to authorize mandatory annual quality accounts by "private" preschool facilities. This bill is important both for what it includes and what it excludes. Beginning with the latter, especially in relation to the question of facilitating greater parent participation, it is difficult to understand why no mention is made at all of the existence of parent cooperatives or voluntary associations that provide childcare services, and that have done so for more than three decades. It also fails to mention that "private" providers are responsible for nearly 20 percent of childcare services today and nearly two-thirds of them are organized as democratic organizations, run and managed by their members. Parent cooperative and voluntary associations providing childcare services are often used in Sweden to explore and illustrate the possibilities for greater citizen engagement and involvement in life politics. Numerous research reports, books and doctoral dissertations on these forms of providing childcare services are available, and the contribution of alternative providers in this respect is no secret.

How or why a serious public proposal about promoting democracy in public institutions and greater parent involvement in childcare can totally ignore thirty years of experience that comprise nearly twenty percent of all childcare services provided today is best understood in terms of a *étatist* ideology (compare Blomkvist, 2003). It considers public provision of all tax-financed services as natural, and considers all alternative providers as competitors, not worthy of mention. A less ideological view of promoting democracy and greater parent participation through "Councils of Influence" would have attempted to provide an overview of the strengths and weaknesses of parent cooperatives, voluntary associations, worker cooperatives and even for-profit childcare services in these respects (compare Pestoff, 1998 & 1999).

Moreover, the powers of these proposed “Councils of Influence” are limited to informing parents about important developments and getting their advice. They have no funds to allocate nor any independent decision-making power. Nevertheless, several prominent organizations representing public authorities, involved civil servants and the municipalities clearly oppose the creation of “Councils of Influence” at all childcare facilities throughout Sweden. *Skolverket, Sv. Kommunförbundet, TCO, Myndighet för skolutveckling, Lärarnas Riksförbunt, and Lärareförbundet* all belong to the opponents of such a weak vestige of greater democracy and parent influence. Some municipalities also questioned whether parents would really want to participate in such bodies.

Research on the development of democracy in some popular movements provides relevant examples of failed attempts to obtain greater member engagement through similar bodies. The shop councils (*butiksråd*), introduced in the Swedish consumer cooperative movement in the 1980s, illustrate this point. Many members elected to such shop councils quit them mid-term or refused to serve a second term. They felt the shop councils lacked meaning and the members had no influence on the running of cooperative shops. Shop councils had no budget of their own and no right to decide on anything; they could only give advice to local shop managers (Pestoff, 1991). Similar problems can be expected with the proposed “Councils of Influence” for childcare services in municipal services, since their powers are also limited. Moreover, parent cooperative and voluntary associations providing childcare services already have very engaged parents, and a new body like the one proposed by Bill 2004/05:11 may prove detrimental to existing democratic participation by parents.

Turning to the question of annual quality accounts by each childcare facility, Bill 2004/05:11 argues that both municipal daycare services and “private” facilities should complete such annual reports. Some features of the proposed quality accounts are similar to social accounting and auditing, as practiced by social enterprises today in Sweden (www.slup.se). In particular, the need to involve various stakeholders, the need to repeat quality accounts at regular intervals and the need to be flexible and adapt the quality report to the individual facility’s local needs. At the same time, such quality accounts, according to this proposal, should conform to *Skolverket’s* standards and be as unified as possible. This may pose a threat to plans by some parent and worker co-ops and voluntary associations providing childcare today to develop social accounts and audits, better suited to their own needs and activities. Moreover, the Minister argues that the government also needs to get relevant information from private facilities. “Children and their parents should be able to make the

same demands on the quality and insights into activities regardless of the legal form”. However, parents in cooperative and voluntary childcare facilities have both the quality and insights lacking in many municipal childcare services today; although the insinuation in the bill is just the opposite.

Finally, the question of mandating a public authority to oblige “private” facilities to prepare annual quality accounts and that the latter should be coordinated by municipalities, elicits some interesting comments by certain remiss bodies. Neither *Sv. Kommunförbundet*, *Skolverket*, nor *Sv. Kommunförbundet i Norrbottens län* considered it reasonable to place responsibility for coordination of these annual quality accounts in the hands of the municipalities, since they to a certain extent also compete with “private” providers. On the other hand, *Konkurrensverket*, *Friskolornas riksförbund* and *Waldorfskolefederationen* rejected all aspects of the proposal concerning annual quality accounts. They see it as an added burden on these small organizations, but they also argue that municipalities compete with the “private” providers of such services, and this proposal to give them the power of coordination would, therefore, not be good.

Thus, we can note that Bill 2004/05:11 on Quality in Preschools ignores the existence of parent co-ops, worker co-ops and voluntary associations that provide extensive childcare services, except as private competitors to municipal services. It also ignores the difference between various providers in terms of promoting greater democracy and parent participation. It also fails to discuss or propose a forum for bringing various providers together at the local level for an exchange of information concerning quality in preschools and for the common development of the sector. It represents a highly centralized, top-down approach, one where *Skolverket* is completely responsible for developments, and municipal and private providers of services are mainly responsible for implementing central decisions, but clearly have no role in developing them in an interactive dialogue.

6. Territorial or functional representation in sub-municipal politics?

Sweden is a large, sparsely populated country, about the size of California, but with a population the size of Los Angeles. Its nine million inhabitants can participate in elections every fourth year. In general elections representatives are chosen simultaneously to the *Riksdag* or parliament, to the county councils and to municipal councils. All three of these elections take place on the same day and at the same election polling places throughout the

country. This promotes a high level of participation in elections at all three levels. However, participation in *Riksdag* election has decreased from 91.4 per cent of the electorate in 1982 to only 80.1 per cent in 2002. Participation rates are only marginally lower in county and municipal council elections and follow the general declining trend. Approximately 80 per cent of the population resides in the urban areas. Swedish cities are often sub-divided into administrative wards to promote the feeling of nearness between inhabitants and the city administration. However, few if any Swedish cities allow for direct elections of representatives at the ward level. This means that at the sub-municipal level there are no direct means of electoral representation. This is a major gap in Swedish democracy that leaves the citizens without direct representation at the sub-municipal or ward level. (See Figure 5 in the appendix).

The lack of territorial representation could be corrected in part by greater functional representation of users and workers in personal social services of various kinds provided by Swedish municipalities and counties. However, Swedish municipalities and civil servants have to date proved very reluctant to provide users of public services with opportunities for greater participation. Third sector providers, organized as either consumer or worker cooperatives or voluntary associations, by contrast, provide unique opportunities for both the users or consumers of personal social services to participate in the management and decision-making of such services (Pestoff, 1998 & 1999). Thus, it appears that one way to engage citizens as co-producers of personal social services is through contracting out of public services to third sector organizations of various types and purposes.

This type of functional representation in the management of publicly financed personal social services need not be seen as an alternative to governance via representative territorial democracy. Rather than an either/or situation or a zero-sum game, functional democracy should be conceived as a complement to representative democracy, as Danish experience shows (Sörensen, 1998), and it can help to develop and strengthen representative democracy. Both Waltzer and Hirst argue convincingly for giving a greater role to the third sector or civil society in order to develop and extend democracy, in light of the threat posed by privatization and/or large scale bureaucratic units of all kinds in an organization society. Yet, few Swedish politicians or political scientists seem willing to explore new and radical ways of rejuvenating representative democracy via systematic introduction of functional democracy, one where citizens become co-producers of the personal social services they demand and expect to receive having paid the world's highest taxes.

B. Economic Hurdles to the Democratization of the Welfare State

1. An economic or civic perspective of the sustainability of the welfare state.

As noted earlier, the long-term economic forecast of the sustainability of a universal, tax-financed welfare state in Sweden throws in question its viability, given the shortage of funding and limited new ways of financing it in the future (*Långtidsutredning*, LU 2003). Given rising demands and expectations, due to changing demographics of the Swedish population, LU sees four main possible sources of increased funding or ways to finance a universal tax-financed welfare state. They are: a) increasing productivity in general and thereby increasing tax revenue, b) increasing productivity in the public sector in particular, since it produces most welfare services, c) increasing taxation to finance an expansion of service and quality of public welfare services and d) increasing alternative ways to finance public services, including greater user fees and more private sponsoring of public services.

The Swedish central organization for trade unions, *Landsorganisationen, LO*, criticized *Långtidsutredningen* in its remiss answer. LO noted the limited number of alternatives presented by LU for financing universal, tax financed welfare after the year 2020. LO provided six additional ways to strengthen public finances. They included: a) increasing municipal taxes by 10% over the next 20 years, b) increasing municipal user fees, c) increasing VAT taxes, d) transfer of social insurances to the labor market partners (i.e., LO, TCO, SACO & SN), e) privatization of eldercare, and f) mandatory elder care insurance, as found in Germany and Japan. Finally, LO also considers the impact of improving the productivity and employment of the Swedish economy. This could be achieved by: a) increasing the retirement age, b) increasing women's employment, c) decreasing involuntary part-time employment (mostly women in the public sector), d) increasing employment of the elderly, e) increasing employment of persons with less than average employment capacity, and f) increasing employment of immigrants (Andersson, *et al.*, 2004).

However, it should be noted that both LU and LO only take paid work into account in their analysis, which excludes consideration of alternatives like greater use of the third sector and more engaged citizens for providing publicly financed social services. Such alternatives are excluded since they fall outside the national accounts system (*nationalräkningskap*). But unpaid labor, which is very prevalent in most types of caring activities, like childcare, eldercare, handicap care, etc., through voluntary activities of relatives and others is not

considered by either LU or LO. Thus, neither LU's or LO's economists take into account unpaid labor or volunteering, for whatever reason and with whatever impact on the provision of personal social services. What isn't paid simply doesn't exist in a national accounts system.

A current parliamentary investigation, known as the *Ansvarsutredning*/Responsibility Investigation/, posed a different set of questions and came up with different answers concerning the development potential and sustainability of the universal welfare state in Sweden. It examines the overall balance of responsibilities between the central, regional and local levels of government in Sweden. In doing so, it also points to two possibilities for developing sustainable welfare: a) increasing the potential for developing the public sector by increasing the adaptability of public services to continuously changing circumstances regarding costs, values and patterns of living among Swedish inhabitants and b) increased levels of co-production by citizens, meaning greater individual and collective participation and responsibility by citizens for their own welfare. The latter perspective comes close to the ideas expressed here.

2. The trade-off between quality and equity in personal social services

Lindbeck (2005) argues that no time should be lost in initiating a public discussion about and in finding an acceptable political solution to the social dilemma or trade-off between quality and equity in terms of personal social services in Sweden. He states that if we wish to avoid a hasty, and perhaps uninformed, solution to this dilemma in one or more decades we must act now. We must start a debate that can tear down the ideological and political barriers of today that prevent reforming the organization and financing of personal social services. He maintains that the social democratic government's model of primarily or exclusively financing personal social services, like education, health care and social care, through taxes is insufficient to meet the challenge. The total availability of such services will not match the demands of citizens if we rely exclusively on new taxes. With such a model we obtain a high degree of equity, but at a low level of production/consumption of such services. With other forms of financing as a complement we can get greater total production/consumption, but at the price of greater inequity. However, striving for both high quality and equity will prove impossible and is futile (*DN*, 1/3-05).

Today, he notes, there are big differences of opinion about how to finance high-quality personal social services. Some adhere to increasing taxes only, while others promote the

greater use of alternative financing. The latter are already employed in the form of patient fees for doctor visits or fees for medical prescriptions, parent fees for daycare services, etc. They could also include mandatory or voluntary insurance fees for various personal social services, like home care for the elderly, as in Germany and Japan, as well as mandatory or voluntary savings in special accounts, like the new pension system in Sweden. His main argument, however, is that if you rule out financing personal social services by alternative methods in principle, then you will end up with a situation where it will be impossible to finance citizens' growing demand for more and better services. Increasing taxes won't be acceptable in the long run economically, politically nor socially. The total availability of personal social services in society will not meet growing citizens' needs. Thus, we will probably be forced in the near future to choose between more total production with complementary funding methods and less production, but with more equitably distributed consumption of such services (*ibid.*). His narrow focus on financing social services ignores the contribution of the third sector to improving both service quality for citizens and work environment for civil servants. Previous research on alternative provision of childcare in Sweden showed that the parents and staff who had experience from both forms of provision, and could therefore compare them, strongly preferred alternative services to municipal childcare, for a variety of reasons (Pestoff, 1998 & 1999). More satisfied parents and more engaged staff are a sign of better service quality and a better work environment.

However, Lindbeck is not alone in recognizing the centrality of this social dilemma or trade-off for the financial sustainability of the welfare state. Esping-Andersen (2000) also discusses this trade-off in relation to the problem of saving today's welfare state edifice, whether or not it is economically sustainable, but at the expense of ignoring new kinds of social risks, related to new life-styles, changing family patterns, etc. Pointing to the political side of this dilemma he states that "[I]f the alliance against reforms represents the traditional, rather than the emerging risk structure, a successful defense of the status quo becomes problematic. The welfare state may be servicing the insiders... and the more it is upheld, the less its capacity to address the risks of the outsiders" He adds that "... [i]f post-industrial society is altering the structure of social risks, the real crisis of the of the welfare state may be its popularity." (*ibid.*, p. 148). He refers to the "Trojan horse of the welfare state", where risks have shifted toward the younger, due to the failure of the labor market and family, and solutions to these risks in a large measure are found in providing more social services. (*ibid.*, p. 150). How contemporary welfare states deal with this depend on their response to both the

employment problem and the new demographics of aging and family behavior. For Esping-Andersen the answer to this dilemma is found in the responses of the market, state and family. However, once again the third sector is absent in this analysis. Equally, Lindbeck also ignores the possibilities of greater citizen engagement in the production of personal social services, or citizens as co-producers of the services they demand on long term and a daily basis.

It is also important to consider the relationship between co-production and volunteering in the production of personal social services, as well as the organizational and value basis for such activities in order to explore similarities and differences between them. This is done in the next section.

3. Co-production and volunteering in personal social services.

The production of personal social services by the third sector can take different organizational forms, and it requires different contributions of both time and money. When considering these different forms, it is important to distinguish between the organizational basis for producing personal social services and the individual value basis that motivates such activities or production. Starting with organizational form of production, we need to distinguish between services produced solely by personal contributions of time and money, on one hand, and those services produced mainly through collective efforts, on the other. Turning to the value basis of activities, we also need to distinguish between contributions of time and money mainly on the basis of altruism, and/or other social values, on one hand, and those mostly motivated by self-interest, on the other.

In terms of the organizational basis for providing personal social services, the alternatives can range from mostly individual to mostly collective provision. The personal value basis for engaging in the provision of personal social services ranges from mostly altruistic and/or other social values to mostly self-interest. In both cases we will find a mixed category that includes a combination of both individual and collective production and a combination of both altruism and self-interest. The actual degree of individual vs. collective production or altruism and/or other social values vs. self-interest values will of course vary from one case to another. However, for the sake of simplicity a middle range is included in the figure that combines both individual and collective production as well as both altruism and self-interest values. The size of any single category is not possible to determine *a priori*, but remains an

empirical question to be determined by systematic studies. Figure 2 in the appendix summarized these differences.

In terms of the organizational basis for such activities, individual donations to the homeless or victims of a catastrophe are normally channeled through organized groups and therefore usually combine both individual and group efforts. By contrast, eating a meal at a pot-luck dinner is normally a collective effort, in spite of the individual dishes that compose it. Few persons would prefer to eat their pot-luck dinner alone at home, unless the weather forces them to do so. The purpose of a pot-luck dinner is not only to eat a meal, but also to share your favorite dish with someone else and to taste theirs together with other people. Here the social dimension is not absent, as eating with others may contribute to creating social capital. In terms of value motives for individual activities of giving time or money to help feed the homeless or to help the victims of a catastrophe, this can be interpreted as an expression of altruism and/or other social values, although a certain feeling of self-realization may be present. By contrast, preparing a meal for a pot-luck dinner can normally be seen as an expression of self-interest, since the cook gets to taste not only his/her own dish, but also to try the favorite dish of other persons.

Similarly, the situation for the staff and volunteers is different in organizations like the Red Cross, Charatis, Oxfam, political parties, etc. The value basis for the staff includes altruism and/or other social motives as well as self-interest, since they earn their living by their work. Volunteers, on the other hand, normally contribute their own time and/or money without direct material rewards, so the basis for their activities is more clearly altruism and/or other social values, than self-interest. However, self-esteem, gaining job skills, maintaining a life structure or following daily routines may not be completely absent from the motives of certain volunteers.

Citizens' participation or co-production in providing many personal social services appears to fall in the middle category on both these dimensions. It involves both a good portion of altruism and/or promoting other social values, as well as the realization of self-interest; and it also requires both individual and collective efforts to be realized or achieved. This implies that co-production of the type depicted here may, in practice, not be that different from activities classified as voluntary in other perspectives or approaches. The factual differences often discussed in the literature may be more a question of degree than kind. The ideas about

collective action and common pool resources discussed by Ostrom are important to keep in mind when considering the ramifications of co-production.

4. Challenges for co-production, co-governance and the third sector

A policy of greater citizen participation and more active involvement by the third sector in producing and managing personal social services bears certain risks. First, there is the risk associated with such policies being perceived as a threat to liberal democracy. If functional democracy is promoted at the expense of representative democracy, then many people might oppose it in general. Second, many civil servants, public administrators and politicians in particular might perceive greater citizen participation and more active involvement by the third sector in producing and managing personal social services as a zero-sum game, one where they are the clear losers. Opposition by civil servants and trade unions is a common problem where co-production has been promoted. The third sector can then easily be presented as “a wolf in lambs clothes”, opening the doors for full scale privatization of personal social services in Sweden, and the democratic benefits of such activities could be lost due to vigorous opposition.

Third, a policy of greater citizen participation and more active involvement by the third sector in producing and managing personal social services needs to carefully consider the relationship between the state/municipalities and the third sector in the context of the needs of both the staff, users and financiers in various areas of service provision. Competition over the factors of production as well as for political influence and power need to be recognized as real problems that are best worked out beforehand, rather than after competition leads to outright opposition, or even open confrontation. Fourth, as Osborne & McLaughlin (2003) warn, co-production and co-governance can, under certain conditions, lead to the third sector becoming incapacitated to act independently, to becoming incorporated in a local corporatist state and finally to the risk of isomorphic pressures from governments that promote professionalization and standardization of services. This would promote a reduction of membership influence and democracy inside participating organizations.

Such a development would only reinforce their role as service providers, without contributing to either the democratization or the sustainability of the welfare state. A role as service provider, without the power to influence local services nor the policies pursued would merely serve to emphasize the third sector as a powerless outsider. This is the case of parent

cooperatives as alternative providers of childcare in Sweden. What appears primarily to motivate continued parent engagement and co-production of daycare services is the better quality of the service, as perceived by the principal users, the children and their parents. However, their involvement during five or more years made no notable contribution to rejuvenating democracy at the local level, alleviating the democracy deficit, nor developing functional channels of influence and democracy at the sub-municipal level in Sweden. Thus, better service quality for the children and richer and more rewarding social contacts for the parents and children appear to be the main contributions of alternative childcare in Sweden today, given the narrow political confines of its influence at the municipal level. The main benefits of this new form of user democracy are thus limited to the micro-level, or the stakeholders in the separate daycare facilities.

C. Conclusions

This paper considers the potential of the third sector for the democratization of the welfare state in Sweden, and the hurdles in its way. Numerous political indicators suggested that we may be witnessing the gradual “withering away” of several vital institutions of representative democracy. Other indicators suggest that the citizens are finding or perhaps even founding new channels of participation and influence alongside the more established ones. The growth of sub-politics and life politics provide support for this. However, these new channels are not yet institutionalized and formalized, nor are they fully recognized as legitimate by democratic theory and political science.

This presentation first considered political hurdles to democratizing the welfare state, and then economic hurdles. It added cautious cooperators alongside the traditional rational maximizers for modeling our understanding of human behavior and for judging the impact of government policies designed to resolve social dilemmas. But, some policies actually crowd out active citizen participation. They usually assume there are only a few rules that need to be considered and that only experts have the appropriate knowledge to design optimal policies. In many important areas of governmental activity it is impossible to deliver services without the contribution of time and effort by clients or citizens, a phenomenon known as co-production. However, material rewards prove insufficient for eliciting the requisite contributions by citizens in all but the most simple of tasks. Rather, complex non-material

incentives elicit co-production in different circumstances. Local public goods are consumed both individually and collectively. This gives the community as a whole a stake in the quality of services. Public authorities should encourage cooperation in providing them. The rural village of Drevdagen illustrates the problems associated with parent participation in elementary schools in Sweden. Fifteen years later the National School Authority's report in 2004 made several critical remarks. It seemed to confirm Ostrom's observations about treating citizens like knaves and Fennell's comment on support for mechanisms to encourage users to cooperate.

A comparative European project on alternative provision of childcare services shows that in spite of their importance as providers of high quality services, parent cooperatives in Sweden have a limited impact on the overall delivery system. Unlike France or Germany, where parent initiatives are also numerous, no channels exist here for incorporating these new providers in local policy networks and they remain powerless outsiders. The recent bill on quality in preschool services emphasizes the lack of interest by central authorities to acknowledge or learn anything from citizens' initiatives, or to provide parents with more influence in public services, except in a discussion forum. Several important authorities, like the Association of Swedish Municipalities and Counties and the concerned trade unions also clearly rejected proposals to give parents more of a say in public childcare facilities. Finally, this section explored the need for greater functional representation of citizens alongside the representative channels of influence, in particular in terms of renewing the welfare state, rejuvenating democracy and alleviating the growing democracy deficit.

Turning to economic hurdles to democratizing the welfare state we noted the following. Macro-economic analysis of the sustainability of the welfare state (*Långtidsutredningen, 2003/04*) allowed little room for citizen participation in the provision of personal social services, except as the purchasers of services or payers of service fees. Only monetary transactions and paid work are taken into account by the national accounting system, which precludes engaging citizens as co-producers. The Swedish Confederation of Trade Unions (LO) proposed increasing both the size of the work force and taxes, but ignored the potential of active citizens in promoting the sustainability of the welfare state. The economic debate underlined the trade-offs between quality and equity in personal social services, and noted the quality improvements found in third sector services. Then, volunteering and co-production were compared in terms of the value base motivating them and the organizational form such efforts can take. Finally, it also considered some drawbacks of greater citizen involvement in

the provision of personal social services. One was opposition by bureaucrats, civil servants and trade unions. Another was that greater participation by the third sector can imply a risk of becoming incorporated by the state, and/or transformed into just another professional provider of publicly financed services, at the expense of membership influence and internal democracy. Experience from both England and Germany suggest that the relationship between the third sector and municipalities may be problematical in this respect.

The provision of personal social services can be conceived of as local public goods, i.e., something that both is consumed individually and has a composite quality impacting on the whole community. The same can be argued for active citizens as co-producers of personal social services. Users may be among the most important factors of production. They help establish a baseline level of good quality. Their daily participation comprises an endogenous component of good quality, which can not easily be replaced or augmented by additional exogenous variables like better management or more financial resources. Among the more important composite local public goods that citizens' participation in the provision of personal social services can result in is a renewal of the welfare state and a rejuvenation of local democracy. Citizen participation and cooperation in providing personal social services should be encouraged by public authorities, or at least not discouraged.

The relationship between the third sector and both the state and market in Sweden is structured by power relations that give the latter two institutions important veto-points or gate-keeping functions over the former. In relation to the state, broadly accepted concepts of a universal tax-financed welfare state that provides similar, if not identical services to all inhabitants in all parts of Sweden, regardless of where they live, comprises one such veto-point. Third sector alternatives are discouraged in the name of equality of services for all citizens/inhabitants. Any deviation from this norm of universality, equality, homogeneity and standardization of personal social services is discouraged in the name of class and equality. Small scale provision of personal social services, which by definition means diversity of services provided, is thereby strongly condemned in the name of the basic values of the Swedish welfare state – universalism and equality of services provided.

Furthermore, the state discourages citizen involvement in the provision of basic social services through selective incentives. For example, attempts in a major slum area in the suburbs of Malmö to encourage citizens/inhabitants to engage themselves in the maintenance of public housing by providing a symbolic reduction in their rent resulted in the national Tax

Authority condemning it as an attempt to cheat on income taxes. Moreover, local trade unions also condemned it as an attempt to circumvent local collective agreements and to hide an employer/employee relationship subject to collective agreements. These efforts to engage citizens/inhabitants in the maintenance of public housing therefore failed. The Drevdagen's school in rural Sweden provides another example of public authorities creating hurdles for collective action and active citizens in the provision of personal social services.

The market, on the other hand, normally argues for a variety of providers and diversity of producers in the name of competition. This should normally benefit third sector providers; however, the market also uses its veto-powers, effectively eliminating third sector competition from major social services. Here the *Lag om offentlig upphandling* (LOU), the Law on Public Procurement, plays an important role. It eliminates most types of competition in terms of quality of services, as practiced in Sweden. It focuses most competitive tendering on the lowest possible price in the name of efficiency. Any consideration of other social values, in particular those values that are difficult to measure in monetary terms, like good quality services or secure and stable social relations between the providers and consumers of basic social services, are prohibited by LOU from being included in public procurements. Defenders of LOU will, of course, hasten to point out that LOU does not actually make social considerations illegal, but rather subjects public bodies to legal recourse by the companies losing a tender, should they not choose the lowest bid. However, in effect in Sweden today 99.5% of all procurements concentrate on the lowest bid, even when bids are not financially realistic nor socially tenable.

In 1999 the municipality of Värmdö, a suburb southeast of Stockholm, declared it would become the first municipality in Sweden to base its development on promoting the social economy and greater citizen participation. All the political parties represented on the Municipal Council of Värmdö supported this policy. However, when it came to implementing these ideas, both the Conservatives and Liberals, turned to the courts to stop certain developments. In particular, they opposed that the local Council of Associations should be given responsibility for providing daytime activities for pensioners at a local activity center. They argue that it is first necessary to have open competition to decide which provider should get the tender. Thus, LOU, was used against collective action and greater citizenship participation.

This research therefore, recommends that the Swedish government should use existing channels for parliamentary investigations to carefully examine several important issues related to greater citizen involvement as co-producers of personal social services and the role of the third sector in democratizing the welfare state. Such involvement is readily illustrated by different types of not-for-profit provision of childcare services. What are the costs and benefits to the financial sustainability of the welfare state in Sweden? What are the costs and benefits in terms of the growing democracy deficit in Sweden? What are the costs and benefits of this in terms of the work environment of civil servants providing public services? What are the costs and benefits in terms of the professionalization and internal democracy of the popular movements and voluntary organizations providing such services? These and related issues need to be carefully considered and systematically analyzed.

Furthermore, more far-reaching economic, political and social proposals also need to be included in any systematic consideration of the potential of the third sector for democratizing the Swedish welfare state. At least two proposals should be explored more carefully. First, Waltzer (1988) suggested the initiation of a national service for all young citizens, both men and women, in order to socialize the means of distribution of welfare services. This could be seen as a national service to defend the welfare state from the inevitable financial collapse indicated by the Swedish *Långtidsutredning, 2003/04*. All young citizens between 18-21 years old would serve in producing personal social services in public and nonprofit facilities, in order to stave off the demise of the Swedish welfare state by the year 2020. This would provide major new economic resources to help shore up the provision of personal social services. They should, of course, earn pension credits, just as they do in the military service today. It could also have the additional benefit of exposing young men to work in the service sector that may later have positive ramifications for their choice of occupation. This, in turn, could also help break the extreme gender segregation of the Swedish labor market. Moreover, Waltzer suggests that in addition to the youth, many young pensioners might be willing to contribute to some sort of national service for the welfare state.

Second, greater citizen participation, in the fashion discussed by *Ansvarskommittén* (2003), could be promoted by initiating personal time accounts, that function quite similar to the national pension system today. Here, citizens unpaid contributions of time and labor at one stage in life could be recorded, and then deducted from their account at some later stage in life, when their needs may be greater. Both voluntary activities and time spent in co-producing publicly financed personal social services could be recorded and redistributed to a

later time in life. Many relatives provide unpaid labor for caring services today, but get little or nothing in return later when they need it, nor any credit toward their pensions. This proposal could also help the national account system to face up to the hidden value of voluntary or unpaid labor, and macro-economists to include a bit more realism in their abstract models.

Finally, major public experiments are proposed, based on greater flexibility and less regulation of personal social services, both at the local and regional levels. They could be undertaken during a five to seven year period in some municipalities and one or two counties in Sweden. This should involve efforts to actively engage citizens as co-producers of such services and a greater role for the third sector, both as a facilitator of this and promoter of new channels of democracy at the sub-municipal level. These experiments, in what the Swedes call “frikommun” or unregulated municipal activities, should be carefully designed and followed by a team of academics, who would study the effects of unregulated municipal activities on citizen engagement and the role of third sector in democratizing the welfare state.

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Appendix:

Figure 1 The Third Sector in the Welfare Triangle

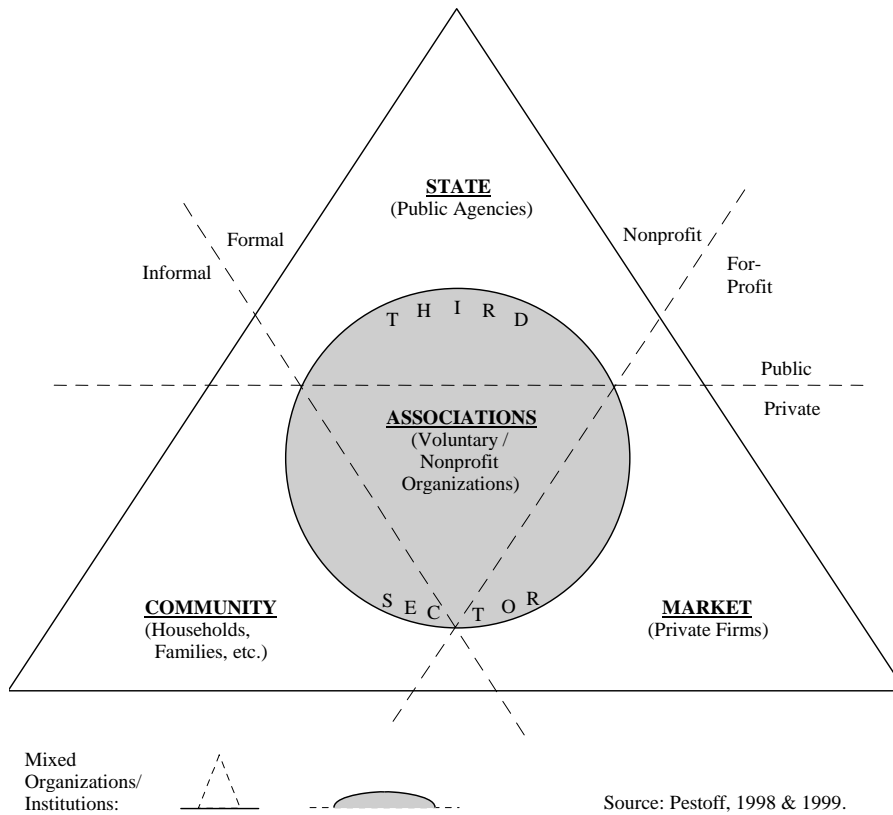


Figure 2. Co-Production and Volunteering in Personal Social Services.

Organizational & value basis of activities	mostly individual	both individual & collective	mostly collective
mostly altruism &/or other social values	<i>ad hoc</i> & direct individual help to the needy	individual donations to organizations for the needy	volunteers at Red Cross, Charatis, Oxfam, political parties, etc.
both altruism & self-interest	?	sport clubs, co-op. childcare, elder care, etc.	staff at Red Cross, Charatis, Oxfam, political parties, etc.
mostly self-interest	baby-sitting	neighborhood watch	pot-luck dinner, road assoc.

Source: V. Pestoff, 2005.

Figure 3.

Table 1. Proportion with “high stress jobs” for selected occupations, 1991 & 1997*.

<u>branch/occupation</u>	<u>W o m e n</u>		<u>M e n</u>	
	1991	1997	1991	1997
<i>Pedagogical work**:</i>				
teachers:	33	46	24	29
-elementary teachers	28	49	24	35
-higher levels	43	43	25	24
daycare staff	26	37	--	--
<i>Health and medicine**:</i>				
health & medical work:	32	48	35	40
-nurses	26	41	--	--
-registered nurses	39	59	--	--
elder care & handicapped care	19	29	--	--
<i>Commercial work:</i>				
sales personnel	37	42	16	25
other commercial work	23	26	16	19
<i>Manufacturing work:</i>				
Manufacture/constr., metal work	19	29	15	23
	--	--	13	23

Source: SCB & I. Eklund, *VälfärdsBulletinen*, No. 4, 1999, p. 4; *figures **in bold** indicate a statistically significant increase between 1991 & 1997; -- = to few men in the SCB studies to motivate their inclusion; ** mainly public sector employees in Sweden.

Table 2. Attitudes towards public expenditures for social purposes in Sweden, 1981-1997*.

<u>Program Area:/Year:</u>	<u>1981</u>	<u>1986</u>	<u>1992</u>	<u>1997</u>
-health care	+42	+44	+48	+75
-support for the elderly	+29	+33	+58	+68
-support to families with children	+19	+35	+17	+30
-housing allowances	-23	-23	-25	-20
-social assistance	-5	-5	-13	+/-0
-primary & secondary education	+20	+30	+49	+69
-employment policy	+63	+46	+55	+27
-state & municipal administration	-54	-53	-68	-65

Source: Rothstein, 2000, p. 227, as modified from Hadenius (1986) and Svallfors (1996, 1998).

*Answers to the following questions: Taxes are used for various purposes. Do you think the revenues spent on the purposes mentioned below should be increased, held the same or reduced?" The figures above only report the net support or percentage of those wishing to increase expenditures minus those wishing to reduce them.

The Third Sector and the Democratization of the Welfare State.

by Victor Pestoff²

Paper prepared for the Annual Conference of the European Group for Public Administration and the EGPA's Third Sector Study Group, Bern, Switzerland, 30 August – 2 September, 2005.

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Hurdles to the Third Sector and the Democratization of the Welfare State.

Table of Contents:

A. Political Hurdles to the Democratization of the Welfare State	2
1. Rational fools, foolish cooperators or frivolous policies?	2
2. Co-production of public services	5
3. Parent participation in local schools in rural areas of Sweden	8
4. The third sector and the functional representation of engaged users	13
5. The Swedish Bill on Quality in Preschools.	17
6. Territorial or functional representation in sub-municipal politics?	19
B. Economic Hurdles to the Democratization of the Welfare State	21
1. An economic or civic perspective of the sustainability of the welfare state	21
2. The trade-off between quality and equity in personal social services	22
3. Co-production and volunteering in personal social services	24
4. Challenges for co-production, co-governance and the third sector	26
C. Conclusions	27
References	33
Appendix	36
Figure 1. The Third Sector in the Welfare Triangle	36
Figure 2. Co-Production and Volunteering in Personal Social Services.	36
Figure 3.	37
Table 1. Proportion of employees with “high stress jobs” - selected occupations.	38
Table 2. Attitudes towards public expenditures for social purposes in Sweden.	38

Hurdles to the Third Sector and Democratization of the Welfare State

(Abstract)

This paper addresses the potential of the third sector for democratizing the welfare state in Sweden. Numerous political indicators suggest that we may be witnessing the gradual “withering away” of several vital institutions of representative democracy. Other indicators suggest that the citizens are finding or perhaps even founding new channels of participation and influence alongside the more established ones, as illustrated by the growth of sub-politics and life politics. However, these new channels are not yet institutionalized and formalized, nor fully recognized as legitimate by democratic theory or political science. The purpose of this paper is to consider whether these mixed signals concerning citizens’ participation indicate a growing crisis for representative democracy and perhaps even the welfare state, or a rejuvenation of both, based on greater direct citizen participation in new forms of democracy and in the provision of welfare services.

This paper also discusses several important issues related to the potential of the third sector to democratize the welfare state. It begins by examining the political hurdles in its way. It adds cautious cooperators alongside the traditional rational maximizers for modeling our understanding of human behavior and for judging the impact of government policies designed to resolve social dilemmas. It warns that frivolous policies can actually crowd out active citizens. It considers the importance of non-material motives for engaging citizens as co-producers of personal social services. It discusses the nature of local public goods as something benefiting both individual consumers of services and the whole community. It underlines the importance of users in maintaining high quality public services. It examines problems associated with parent participation in local schools in Drevdagen. It explores the need for functional representation alongside representative channels of influence, in particular in terms of rejuvenating democracy and alleviating the growing democracy deficit.

Turning to the economic hurdles, it emphasizes the shortcomings of national account systems and calls for recognizing the value-added by unpaid citizen efforts to provide personal social services. It underlines the trade-offs between quality and equity in personal social services, and notes the quality of improvements associated with third sector services. It also considers some drawbacks of greater citizen involvement, namely the opposition of civil servants and their trade unions.

This study concludes that both the public and private sectors act as gate-keepers for the third sector. They exercise veto powers that prevent the third sector from fulfilling much of its potential and promise. In order to rectify this, our overview recommends two far-reaching economic, political and social proposals for guaranteeing the third sector a more central role in the provision of tax-financed personal social services. The first is to initiate a national service in defense of the welfare state for all young men and women between 18-21 years old, who would provide personal social services through public or nonprofit facilities. The second is to develop a system for recording citizens’ unpaid time and labor that would allow them to make deductions from their personal time accounts at later stages in life when their need is greatest. It also argues for extending the status of “frikommun” to several municipalities and counties during five to seven years to experiment with the greater use of the third sector in providing personal social services.