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## Public Services Choices When There Are No Alternatives? – A Paradox of New Public Management in Rural Areas

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# **Public Services Choices When There Are No Alternatives? - A Paradox of New Public Management in Rural Areas**

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## **Abstract**

There is a common decrease in services in rural areas around the world. This is not at least the case regarding public services, since the decreasing population also decreases the resources available for local public services. The aim of this article is to critically analyse challenges of New Public Management in a rural area community in Sweden to discuss the complex double management role (as employer and as service provider) of the rural municipality.

The core of NPM is based on a private sector ethos and is thus also heavily influenced by corporate sector techniques and management. In this paradigm cost effectiveness and efficiency become the dominant considerations for how the state is run. It becomes even more problematic in rural areas without a critical mass of customers (former citizens) and additional costs for transportation. This is illustrated by a discussion of local schools. The analysis shows that even non-monetary resources should be taken into account to reach legitimate policy changes in rural communities. This opens for a creative discussion on time-spatial localized policy-making including extending the interpretations of local resources.

Keywords: Rural Municipalities, education, New Public Management (NPM), Sweden

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## **1.0 Introduction**

There is a common decrease in services in rural areas around the world (see, for example, Halseth & Ryser, 2006). This is not at least the case regarding public services, since the decreasing population also decreases the resources available for local public services. When there is a decrease of services there is also a decrease of choice and quality. This in combination with the increased use of New Public Management tools and reforms like citizen's choices, voucher systems and quasi markets challenges the welfare service provision in rural areas even more.

Economic structures, which define conventional development in contemporary societies, are always politically constructed and are legitimate within specific time-spatial contexts (Wihlborg & Assmo, 2010). The power of the public official law defines what is allowed and decides what activities are to be

included as part of the official monetary economy. The political system, through public policies and structures, decides what is included – and thereby also what is excluded – in the economy (Alvey, 2000). In other words, the political system forms the economy. The economy is a political construction.

A society and its political actors commonly regard the “economic law” as an unchangeable determining structure. This is often expressed through arguments claiming that certain investments or reforms will be implemented, “when the economy so admits”. The result of this dominant and frequently unquestioned conventional economic perspective is that policy makers consider the economy as given. But quality of life means different things for different people, and increased economic wealth is not always better in rural areas (Mojica, Gebremedhin, & Scaeffler, 2010). The practical result is that certain reforms or structural changes often are seen as unreachable for political actors. But is the ability of politicians to implement such reforms or investments completely limited by the economy? Does the economy have to dictate politics, or could it be the other way around?

In the era of globalisation, societies are becoming increasingly interlinked and dependent on what is seen as the global economic market. The globalisation process has in recent decades escalated in most developed countries, changing production, economic and political structures. A common trend in this global economic oriented market structure is the increasing political dependence on financial/economic institutions that seems to direct political policies and decisions in the national and local arena. In this line there is also a growing interest in market like solutions in the public sector. On the other hand, in mature welfare states like Sweden, the situation is further stressed by the fact that municipalities and regions are, apart from being the institutional political structures, also often one of the largest employers in the local community.

### ***1.1 Aim***

The aim of this article is to critically analyse challenges of New Public Management in a rural area community in Sweden to discuss the complex double management role (as employer and as service provider) of the rural municipality. In contemporary mature welfare states, the municipalities’ productive activities and services tend to be hampered by the conventional market economy perspective that at the same time is used as the role model of public administrative reforms. Through an empirical illustration from a smaller municipality in Sweden, this article strives to initiate a discussion that explores the possibility of developing an alternative conceptual development approach, which embraces meanings of political-geographic constructions beyond conventional economic norms and values.

Productive activities take place in a specific time-space context. Hence, we may have to analyze local resources from a different angle than the market economy. Using an illustrative case study of local schools in a rural municipality, the article will initiate a conceptual discussion that, through a political time-spatial perspective, can explore the possibility of creating a widened perspective for the contemporary and future local development of society that reaches beyond the conventional monetary definitions of development.

The local field case study of Ydre municipality presented in this article is part of an on-going qualitative research project, which focuses on local sustainable development. The field work is broadly focused on an integrated ecological-, social and economic sustainable development process that aims for the creation of a good life in the transition from a conventional industrial to a post-

industrial information society. The empirical field work includes participant observations and in-depth interviews with households as well as municipal stakeholders and community groups. In total we have conducted about 30 in-depth household interviews (some with additional time-diaries), interviews with about 15 different stakeholders and key actors (with some of them several interviews) and municipal and regional archive studies. In addition we have made in total 40 days of participating observations at community meetings, farmers markets, local co-op shops etc. to catch the spirit of the community.

## **2.0 Local Governance and New Public Management**

Since the late 1980's there has been an essential influence of New Public Management (NPM) in the Scandinavian states and Sweden. This policy is inspired by the discourse of economic efficiency and the idea of creating quasi-markets for citizen's choices and competition among public and private service providers. NPM generally refers to provision of more choices for users of public services and competition among service providers through user choices in order to stimulate efficiency in service provision and open for freedom of choices (Baldersheim & Rose, 2005).

The core of NPM is based on a private sector ethos and is thus also heavily influenced by corporate sector techniques and management. In this paradigm cost effectiveness and efficiency become the dominant considerations for how the state is run. This means that citizens often will be considered as customers in a market rather than as citizens with rights and duties (see, for example, Montin, 2008).

When NPM and networked governance is applied on a multi-level setting of governance it also opens for a complex interplay of government levels and other actors (Bodgason, 2000). Thus NPM has to be seen in the greater context of local governance.

### ***2.1 Local Partnership and Networks an NPM Consequence***

One of the key elements of the NPM is management decentralization within the public service. As such, the local level becomes even more important. There is an idea of subsidiarity of decision-making, downsizing the size and role of the nation-state, performance-based contracts and public procurement. Thus there are openings for forming and arranging local partnerships and policy networks in practice.

When introducing NPM there is also an opening for increasing partnerships and collaboration in different forms. Networks become an important organisational form both for policy formation issues and implementation practices (Sørensen & Torfing, 2008). Thus there is also often demand for and openings for policy entrepreneurs to manage and form coalitions of interests and ideas. These policy entrepreneurs become the ones linking and forming networks in new complex governance settings, and thus they also can be key actors when forming local arrangements of NPM (von Bergmann-Winberg & Wihlborg, 2011). In the Swedish and Scandinavian context the inclusion of the voluntary sector, which has been almost completely excluded for social service provision when the social democratic welfare state model dominated, has again been invited to be an important co-player of public service provision through the NPM reforms (Amnå, 2005).

From an organisational perspective, partnerships in NPM contexts may lead to fragmentation of structures and processes, which in turn may lead to blurred responsibilities and accountabilities (Bovaird & Tizard, 2009). However, this is

argued as a cost or even a transformation cost for the improved efficiency and citizen/customer choices.

In many state one significant effect of the NPM is that access to public goods becomes largely dependent on ability to pay, with the introduction of user fees. However, in the Swedish social democratic idea of NPM this is just a case on the margin. Public common funding is still a core value of the public management and public services in Sweden. In the educational sectors there is a regulation in national legislation dating back to the late 1950s, prohibiting additional fees to schools. The public school voucher is the only way “to pay” for schooling, even at the so-called free schools (see the discussion below); even as the NPM reforms are reinforcing the marketization and focus on costs and efficacy rather than democratic goals. It is constructed around an economic transaction with monetary value mediating the relationship between the service provider, that is, the local state and users/clients.

This new policy shift is likely to increase differences even more among rural and urban areas since there is more potential of “quasi-markets” in urban areas. The activities of the local state have become marketized and commodified as part of the NPM reforms. The marketization of local government functions and the consequent commodification of basic services are likely to increase the disadvantage of rural communities. On the other hand, however, there are potentials to form locally unique solutions and include the voluntary sector and other unpaid labour resources.

## ***2.2 The Organisation of Municipalities in Sweden – An NPM Setting***

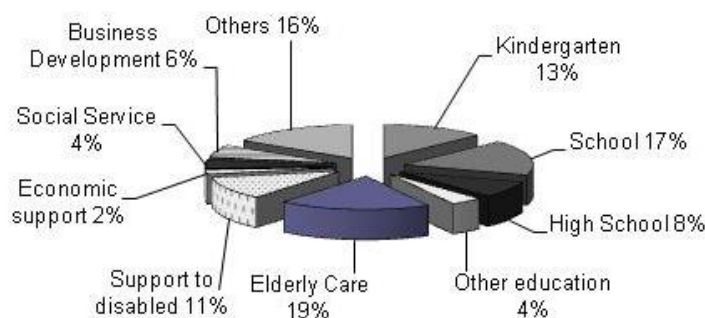
Sweden is basically divided into three administrative levels: the national, the regional (county), and the local (municipality). While Sweden has been a member of the European Union since 1995, it maintains its strong constitutional local autonomy system (RF (the Swedish Constitution) ch 1; §1). Political representation is elected at each level and the legitimacy of policy-making relies on the interplay between the local electorate (from below) and the national level governance (from above) (Baldersheim & Fimreite, 2005). The local autonomy is combined with a decentralised political system, since the regional and local level also implement and fulfil the obligations of the higher levels of the state and even the EU. In sum there is a substantial political and economic power at the municipal level (Montin, 2008).

Sweden is administratively divided into 290 municipalities. The Swedish Association of Local Authorities (SALAR) classifies municipalities into nine categories based on structural parameters such as population, commuting patterns and economic structure. Only three are classified as metropolitan municipalities with a population of over 200,000 inhabitants. The three metropolitan areas (Stockholm, Göteborg and Malmö) have together about 3.2 million inhabitants out of a total of 9 millions in Sweden 2010. Twenty seven municipalities are classified as large cities with 50,000-200,000 inhabitants and more than 70% live in urban areas. Almost 80 municipalities are classified as so-called suburban municipalities and commuter municipalities where a large part of the population commutes to work outside the municipality, commonly to one of the metropolitan areas. As in the case study of this article, a substantial number of 39 municipalities in Sweden are classified as sparsely populated municipalities with less than 7 inhabitants per km<sup>2</sup> and less than 20,000 inhabitants; even in our case, Ydre is far smaller and more rural than this average.

Irrespective of the geographical and population size or type of dominant economic activity, each municipality is responsible for supplying its population with a

number of services. Many activities are compulsory, as stated by national law, while others are “voluntary” and can be decided by the local municipal government. There is an open approach to the local autonomy in the Municipal Act (1990) allowing municipalities to do everything that is in the interest of the inhabitants and not managed by any other public authority (see Figure 1). Compulsory components that are to be provided by the municipality include: children day care, primary/secondary school (grundskola) and high school (gymnasium), adult education, social welfare services, elderly care, environmental protection, garbage service, rescue service, water and sewage, library, housing and public transport (in collaboration with the regions). Examples of voluntary activities that the municipalities offer include: energy supply, employment assistance, business development and culture services and management.

Figure 1. Average distribution of municipal costs in Sweden (in percent), 2008



Source. Based on information from The Swedish Association of Local Authorities (SALAR) 2011a ([http://www.skl.se/vi\\_arbetar\\_med/ekonomi](http://www.skl.se/vi_arbetar_med/ekonomi))

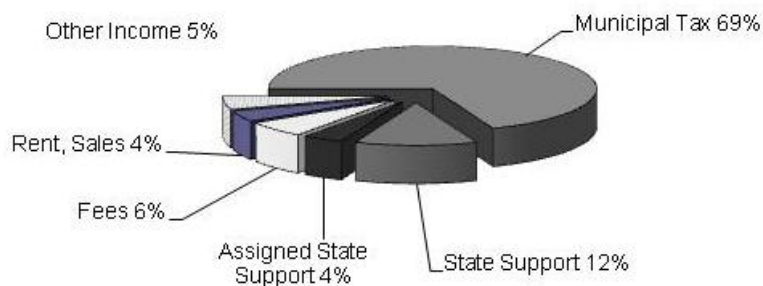
In line with the strong local autonomy each municipality decides largely on its own how the available economic resources shall be distributed. Depending on a number of factors, the municipalities in Sweden naturally have large differences concerning their capability to provide these different activities and services to its population. However, irrespective of the financial situation, the municipalities are obliged to provide services decided by the central national government. In reality, this means that even if the municipal government do have the substantial, political and financial power of the municipality, it is also forced to fulfil the national obligations decided by the state (SALAR, 2011a).

Most of the activities and services provided by the municipalities are financed through municipal taxes, state support and fees. The income tax system basically consists of three components, a local municipal tax, a regional tax, and a state tax. In 2009, only people with an annual income above 380,200 SEK (€ 42,300) pay state income tax, which is placed on top of the local income tax, progressively increasing with income. The state tax is directed to the central government and not allocated to the municipality. Also the value added tax, as well as various forms of business taxation, is directed to the state budget.

Municipal and regional tax is paid according to the taxpayer’s permanent resident address. The largest share of total income tax is allocated to the municipality, and the municipality decides the level of tax to be paid (see Figure 2). In the case of the Ydre municipality, the income tax is currently 32.7%. Hence, the most important part is the income from the municipal tax, paid by the inhabitants in the municipality. A municipality can also obtain a state support. The size of the support differs between municipalities. Basically, the state applies what is popularly expressed as a kind of “Robin Hood” system, taking

from the rich and giving to the poor, with the intention to reduce regional and municipal differences. In practice this means that economically weaker (often demographically smaller) municipalities receive a comparatively larger state support, even if it is still only a minor proportion of the total municipal income (National Act on Inter-municipal Economic Compensation, 2004:773).

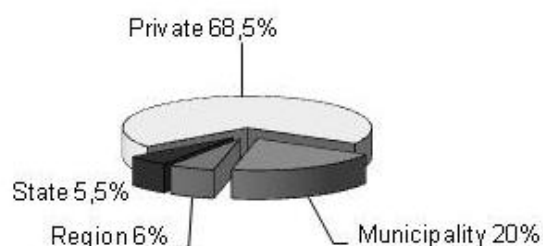
Figure 2. Average Annual Municipal Income (in percent), 2008



Source. Based on information from The Swedish Association of Local Authorities (SALAR) 2011a ([http://www.skl.se/vi\\_arbetar\\_med/ekonomi](http://www.skl.se/vi_arbetar_med/ekonomi))

In a mature welfare state like Sweden, the municipalities and regional administrations are substantial employers in the local society (see Figure 3). In some cases, especially in smaller communities, the municipal government is the absolute largest employer. On average, there are about 1.1 million people employed by the municipal and regional government in Sweden. In 2008, about 825,000 people were employed in the municipalities and about 267,000 in the regions (mainly in health care). According to the Swedish Association of Local Authorities and Regions (2011b), this means that about every fourth working person (25%) is employed within the public municipal or regional sector. Thus the public services are heavy organisations playing an essential role in the regional and local labour markets.

Figure 3. Share of employees in different sectors in Sweden (in percent), 2008



Source. Based on information from The Swedish Association of Local Authorities and Regions (SALAR) 2011b ([http://www.skl.se/vi\\_arbetar\\_med/statistik](http://www.skl.se/vi_arbetar_med/statistik))

On average, about every third employee in Swedish municipalities works within the health and elderly care sector. And almost 40% are employed within the child care and educational sector (SALAR, 2011b). According to the Swedish Association of Local Authorities and Regions, the Swedish municipalities and regions will in the coming years need to recruit about 75-80,000 people annually. The need for new employees is largely related to the

demographic structure in Sweden, where a large proportion of the working population is old and approaching retirement age.

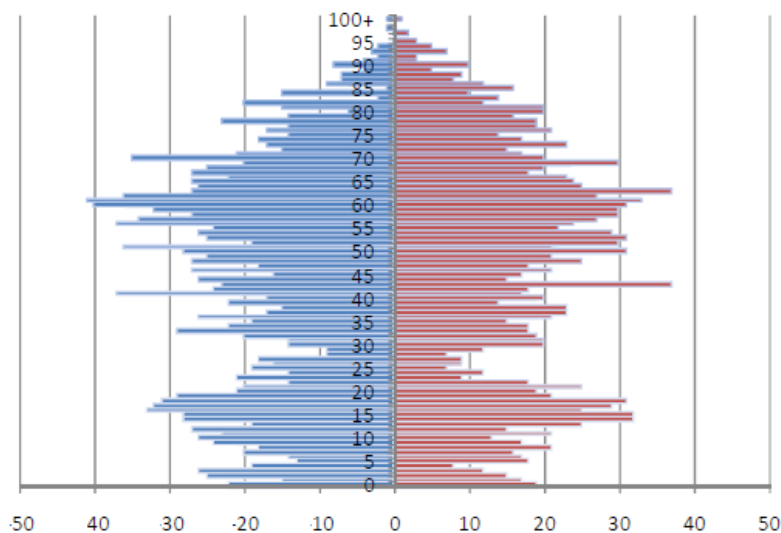
At the same time, many municipalities are facing financial difficulties and are forced to rationalize and streamline its labour force. These difficulties are due to several reasons. A trend of declining population in the active, working age group, as well as rising unemployment, will result in decreased tax income. At the same time, there is an increase in demand of public services provided by the municipality

### 3.0 The Case of Ydre Municipality – Results

To illustrate the problem of a municipality's multiple roles, this article provides an example of changes and problems in Ydre municipality, relating to one of the more important sectors, namely education. Ydre is the least populated municipality in southern Sweden and is located in the south-eastern part of Sweden, on the eastern side of Lake Vättern. Although the municipality is located in the more densely populated area of Sweden, Ydre is characterised as a semi-rural area. Ydre is a scarcely populated society with only 6 people per square km. The total population in the Ydre municipality is 3,726 (2008). The smaller more urban-like areas within the municipality consist of Asby (182 inhabitants), Hestra 485 (inhabitants), Rydsnäs 294 (inhabitants), and the central urban area in the municipality of Österbymo with 877 inhabitants. Hence, close to 60% of the population in the municipality lives in rural settings.

The population in the municipality has for a long period gradually declined, and more than 23 percent of the population are retired, age 65 and above. The municipality consists of approximately 1,800 households, providing an average household size of about 2.1 people. One explanation for this situation is the relatively large number of single (old) person households (Figure 4).

Figure 4. Population Pyramid for Ydre Municipality (2007)

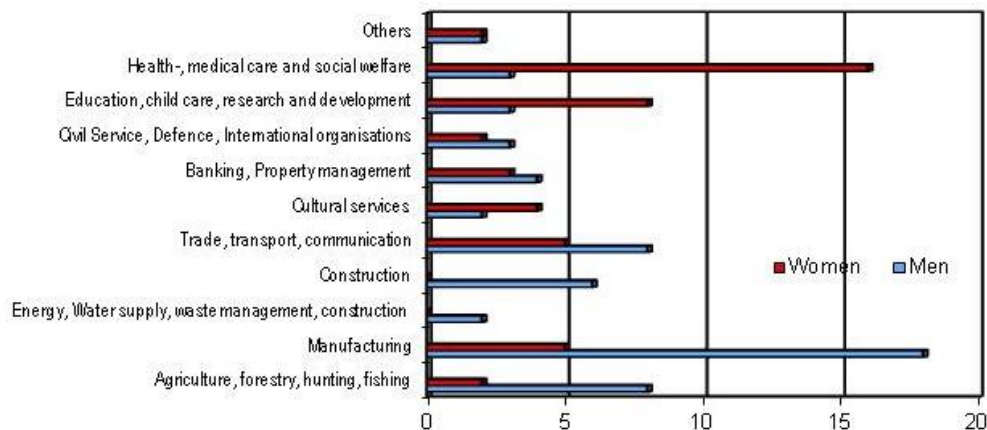


Source. Statistics Sweden (SCB) 2008.



According to statistics from the Swedish Bureau of Statistics (2007), the working population in Ydre is distributed into the following categories as shown in Figure 5 below.

Figure 5. Ydre population work places by categories, in percent (2007)



Source. Statistics Sweden, SCB (2007)

A majority of the population in Ydre work outside the municipality. This means that a large proportion of the working population commute to the surrounding larger cities of Linköping, Tranås, and Jönköping, located within approximately one hour's drive from Ydre. Interviews with the local working population in Ydre provide several reasons for the different work locations. A major reason is that there are not enough qualified well paid jobs requiring the qualifications held by people who live in Ydre. On the other hand, most people who commute do not regard this as a major problem. Instead, the most common arguments that explain why people prefer to live in Ydre refer to the comparatively less expensive property prices, close social networks, sufficient small-scale public institutions such as schools and elderly care, and the peaceful and beautiful environment.

As displayed by municipal statistics, Ydre municipality is the largest employer and employs approximately 300 full-time workers. Among the municipal employees, about 40% work within the field of elderly care, and another 40% within the educational and child care sector. Among the entire working population, a larger part of the population, especially males, is employed within the manufacturing industry.

### 3.1 The Political System and Economy in Ydre

According to the constitution, Sweden's political structure is to a large extent decentralised, giving the municipalities a large responsibility for its residents based on a constitutional local autonomy. The municipal council is directly elected by the population, on a four year basis. Having a largely decentralised government system, the municipality needs a substantial budget to carry out its activities. The main income for the municipality comes from income municipal tax revenue.

Municipal and regional tax is paid according to the taxpayer's permanent resident address. The largest share of income tax is allocated to the municipality. In the case of the Ydre municipality, the income tax is currently 32.7%. (About 20% goes directly to the municipality, and 10% is allocated to the region). This is basically a flat tax rate, paid by all income holders, irrespective of the level of income. Municipalities with a comparatively larger

number of high income residents naturally have a larger income tax base. For 2007, the average annual income in Ydre was 208,289 SEK, which is slightly lower than the regional average of 224,653 SEK (approximately 22,900 €).

The municipality obtains a budget, which is based primarily on local income tax, within which it must adhere to a number of responsibilities stated by the laws and regulations of the central government (see Figure 6). For example, the municipality is responsible for implementing primary and secondary education, child care, elderly care, waste management, water supply and sewage etc. While water and sewage are paid for by the residents (fees), education must be provided free of charge.

For a municipality like Ydre with a small and relatively old population structure, tax income revenue is consequently comparatively limited. The scattered semi-rural population structure also tends to further increase the costs for basic components in the social welfare system such as schools and elderly care. The largest costs in the municipal budget in Ydre is allocated to education and child care (about 30%), elderly care and social welfare (about 25%), and municipal administration (about 7%). Being a small municipality with limited resources, only minor resources can be allocated to “voluntary” (not state regulated) activities and services such as culture and business support. The main income derives from municipal tax, and only a minor part from state support.

*Figure 6.* Ydre Municipal Budget (in million kronor) 2009

	Income	Costs
Finance (taxes)	199,1	29,8
Environment, building	0,1	0,7
Social services	5,3	64,7
Child care and education	4	81,2
Urban planning	0,5	0,7
Culture and recreation	0,2	3,9
Urban planning	0,5	0,7
Rescue service & crisis management	0,2	3,3
Water and garbage	10,2	9,9
Communication	0,2	3
Properties and housing	42,5	49
Business and labor market	0,1	1,1
Administration	2,4	17,6

*Source.* Ydre Municipality. Kommunfakta, 2009

This shows that education stands out as a main obligation for Ydre municipality and as the largest expenditure item. The educational area and the public management of schools has also been a core area for implementing New Public Management reforms (Nyhlén, 2011). This is to be discussed in the next section.

### ***3.2 The Case of Local Schools***

The provision of education is one of the most important and costly activities for the municipality. It is also one of the areas in which the municipality is the main substantial employer. To illustrate the complex situation of formal and informal productive activities (work), as well as the multiple roles of the municipality as a government institution and employer, this local case study uses the example of schools in the Ydre municipality.

Following state regulations, the municipality is responsible for the organisation, finance and implementation of the school system. The cost for the school system is to be covered within the municipal budget, and no fees are allowed to be charged. In line with the Swedish NPM ideal, all pupils are free to apply to any school within the municipality. It is also the responsibility of the municipality to organise free transport for children to and from school, if the distance between the home and the school exceeds 5 km.

In 2009, the Ydre municipality had a total number of 364 pupils distributed in two schools. One school is located in Hestra, while the other in Österbymo. In previous years, the municipality had schools in all four main “urbanised” communities of the municipality. However, the municipality has for a number of years had a problem with out-migration of younger people to other municipalities, resulting in an increasingly older population structure in Ydre. This has led to a decline in tax revenue, as well as an increase in municipal costs for components such as health and elderly care. As a result, the municipality faced and is still facing essential financial constraints. Consequently, in 2008 the municipal council decided to close two schools in Rydsnäs and Asby, and relocate these pupils to school facilities in Hestra and Österbymo. This decision had been discussed for a number of years, and the main argument from the municipal council was that it was too expensive to maintain all four schools, especially in light of a projected decline in pupil numbers. As displayed by municipal authorities, another important reason to merge the former four schools into two was that the municipality could thereby reduce staff, which is the most costly component of the school budget.

However, the municipal decision to close down the two schools in Rydsnäs and Asby caused an intense debate and was heavily criticised among the local population. Strong voices within the local communities argued that the local school was a crucial component for keeping the local community alive. In household interviews people stressed a number of arguments as to why all four schools should remain intact. A strong argument, stressed by almost all families, was that the small schools provide a learning environment that leads to a high level of quality in education. This argument was supported up by the fact that primary/secondary pupils in Ydre received higher grades than the national average. A related argument from local families was that the current schools functioned very well, and that the proximity provided security and confidence for both children and parents. The schools were seen as corner stones of the villages and important providers of a local sustainable development. This was also an important result of Halseth et al.’s (2006) study of remote Canadian communities.

Our household interviews clearly indicated that the closeness of the school to the home was one of the main reasons why younger families still lived in (or even moved into) Ydre. Furthermore, the local population claimed that it would be possible, with proper planning and flexibility, to keep all four schools running, without increasing the annual cost for the municipality. In the parents’ view, it would be possible to continue keeping all four schools in place for at least another 4-5 years, with the current number of school age children in the municipality. Another important argument put forward by parents was that the closing down of schools would result in longer transport to and from school for a number of children. Apart from the fact that school transport must be organised and paid for by the municipality, it was also argued that increased transport would have a negative effect on the environment, would increase the risk of traffic accidents, and would be time consuming for the children.

In a survey, conducted by a community group with EU-funding in 2007, about 50% of the respondents said that they were willing to assist with unpaid community work to keep the schools open. In a document written by the local group to the municipality, hence suggested that, as a way to assist in keeping all schools open, parents should be encouraged to participate and assist in cleaning, gardening, organising transport facilities, etc. (on a voluntary, unpaid basis). However, interviews with the local government director disclosed that such arrangements are not feasible. The municipality is, according to regulations, not allowed to ask and invite parents to assist in any school activity, even on a voluntary basis. All activities mentioned must therefore be performed by persons officially employed by the municipality.

It was disclosed in interviews that the decision to close some schools, as a way of reducing costs and balancing the municipal budget, was disliked and heavily criticised by the local population. Even if people had an understanding of the costs involved in running a school, the critical voices argued that the municipality had “strange” ways of calculating, and did not take into consideration the long term negative effects that closing the school would have on local society. From its point of view, the municipal argued that it was aware of the problem, but was “trapped” in a situation of declining in tax revenue, where the municipality was forced to cut costs in the budget. And, since the cost of education takes up a substantial part of the municipal budget, a reduction in the education budget was seen as unavoidable. Since salaries incur the biggest cost, merging the schools was seen to be the most efficient solution, since this could reduce the number of employees in the local school sector.

### ***3.3 The Schools in Ydre in an NPM Context of “Free Schools”***

In 1992, the Swedish government decided to allow the introduction of private and/or co-operative organised primary/secondary schools in Sweden, so called “free schools” (friskolor). This became one of the key reforms in the NPM process in Sweden. This reform transformed the rhetoric of NPM into local practices (Nyhlén, 2011). The term “free schools” included private company business, co-operative, and other alternative forms of schools. Formerly, basic education was only allowed to be organised by the municipalities, following a national curriculum. Changes to the 1992 national legislation allowed for “free schools” to be established as an alternative along with public municipal schools. However, the “free schools” must also follow the same national curricula and standards as stated by the Swedish National Agency for Education concerning the municipal public schools (National Educational Act).

To open a “free school”, the applicant must hand in a formal application both to the municipality and to the Swedish National Agency for Education. The applicant must fulfil a number of national requirements decided by the Swedish National Agency for Education. The municipal council has to make a recommendation to the National Agency, which then makes the decision on whether to allow or reject the application to open a “free school”. Since all education is free of charge in Sweden, funding to run a “free school” is covered through public means, i.e. the municipality. This means in practice that the municipality must pay a certain amount annually, dependent on the number of pupils, to the “free school” in the municipality and even if pupils from the municipality chose a free school in a neighbouring municipality. The amount is decided on a national average basis and is similar to the annual cost of a pupil to a municipal public school (National Educational Act).

When the municipal council made a decision to close the local school, a local community group was organised and handed in an application to open up a

private co-operatively organised “free school” in Asby village. (A similar process among the local population was also conducted in Rydsnäs village, affected by public school closure). Using similar arguments as the ones stated to keep the public school, the community groups claimed that the “free schools” should be able to use parents to assist with cleaning, transport, etc. Unlike the municipal public school, a “free school” is allowed to use unpaid voluntary work by parents and others. In so doing, the “free school” can be more cost efficient.

However, if the municipality permits a “free school” to start, the municipality must pay the same annual fee per pupil, as for the public school. According to the local administrator responsible for education, this creates a problem. The municipality must, according to national regulations, also be prepared to provide schooling facilities for all pupils in the municipality. If the “free school” becomes too popular, the municipality might be forced to pay for school facilities not in use. Apparently, the municipality faces a complicated situation. In its role as employer it has the responsibility to run schools. At the same time the municipality is an official institution that must follow and implement the legal framework, allowing for pupils to choose freely between a public and “free school” alternatives. Furthermore, it is difficult for the municipality to compete with the “free school” since it is not allowed to ask parents to assist with unpaid community work in the public school.

### ***3.4 Implications of the Case Study***

In the case of Ydre the municipality did not support the application of a free school in Asby village. The group of parents who planned to run this as a co-op with essential voluntary work had made a formal application and a budget. However, the municipality did not support the application and the National Agency for Education rejected the application. The planned voluntary work that could have improved the local schools was blocked by the monetary focus of NPM and the municipal budgeting focus.

This shows that the municipality – as a public organisation – has a complex role to play as a formal employer, and as an institutional policy maker. To complicate the situation further, the municipality must deal with the specific time-spatial structure and resources available in the local community and at the same time adhere to the general national laws and regulations placed upon them.

The illustration of the school issue in Ydre indicates the problems of what can be regarded as paid and unpaid activities, and the institutional arrangements regarding them. As the local employer and implementer of the public schools, the municipality must follow the regulations and officially employ staff to work with, for example, cleaning, transport and gardening. The municipality is not allowed to ask the parents to assist with such duties. Furthermore, the municipality, as an institution, is obligated to supply funding to a “free school” alternative. In this case, the “free school” alternative claims to be more cost efficient and able to run the local school within the limited budget given. For the municipality, the solution to close down two schools to save funds to keep the annual budget in balance, might not work. If the demand of the local people to open up a “free school” is accepted by state authorities, the municipality must according to state regulations support the cost of a free school.

#### **4.0 Exploring the Implications – the Political Construction of Markets**

This case study illustrates that the conventional monetary bias found in general public policies can hide and/or hamper productive activities and thereby alternative managerial solutions at the local level if not at least in rural communities. The political construction of the market, exemplified with education, shows different calculations can be made in “free schools” compared to the conventional municipal schools. The generalised norm of what is to be classified as formally paid employment is a political construction, which can be identified and valued differently depending on certain time-spatial relationships. In other words, the monetary value can, under a certain legitimate time-spatial construction, encourage or uphold a hierarchical structure where economically recognised activities are given value, while unpaid activities are hidden or taken for granted.

The political organisation defines what is given economic value and thereby made visible and counted. Hence, there is a need to do more than put new tools in the analytical economic tool box. For the municipalities’ complex role as employers and institutions, there is a need for a whole new tool box! The division between unpaid and paid activities is the basis for the regime of the welfare state, which is reliant on the values and norms of politics in general. The issue of what can be regarded as valuable (even if priceless) productive activities is complex, and embraces aspects that are largely excluded in conventional economic analyses. The division between official employment and voluntary work by parents in a school is one such example. A productive activity is conducted, but nothing is paid. The previous formal salaried activity becomes transformed into a hidden non-monetary activity.

The measurement in monetary terms is a consequence of a political construction, legitimate in specific time-spatial contexts. The pricing of time, work and commodities are hence a political construction. Consequently, we are trapped in a situation where the main political policy instruments designed to regulate and steer activities are monetary reforms like taxes, fees and subsidies. Conventional distinctions based on monetary terms tend to exclude productive activities from the monetary sphere. The industrial time-spatial norm of production and reproduction relies on distinctions that seem to limit the analysis of development policies.

#### **5.0 Time-Spatial Contextualisation of Activities – Discussion**

The conclusions from the case study display a demand for a widened alternative analytical approach. We here commence the exploration through a time-spatial approach, inspired by Hägerstrand’s (1953) extensive, useful, but partly unexplored, time-geographical perspective. This approach builds on an in-depth field study in the Ydre area in the late 1940’s of diffusion of innovations. By challenging and deconstructing meanings of economic analyses, one can explore how frontiers of the economy are created through political processes that hold a legitimate power in time and space.

Time-geography as developed by Hägerstrand (see, for example, 1985) can embrace a widened perspective of municipal (local) development that grasps the political construction in a time-spatial context. A crucial issue for Hägerstrand was his ambition to develop a notation system, which could grasp and combine observations in its time-space context. Hence, the approach combines the dimensions of time and space and sees them as inseparable. Similar to Giddens (1984) and Wihlborg (2005), one can argue that the

approach, which views resources as constraints, is in distinct contrast to conventional economic analyses that view natural and human resources as exploitable resources. In relation to NPM this approach could include even non-monetary resources without access to quasi-markets into the local “budgeting” and decision-making processes.

As seen in the illustration above, the patterns of daily activity and what is seen as constraints of resources among the local population display the limits of the conventional monetary economy. Processes like commuting, access to public services and bussing to schools are daily constraints for the inhabitants. The example also illustrates the potential to analyse the structural possibilities and limitations for the local society as a whole (Hägerstrand, 1985; Ingelstam, 2006). There are clear indications of the implications of (political) power in the processes forming the limits of the monetary economy. In our view, Hägerstrand’s time-spatial concept can therefore be related and extended to embrace broader perspectives of power and resources based on daily life (Ellegård & Wihlborg, 2001).

The importance of identifying the characteristics in a time-spatial context becomes crucial in the policy area of local development. It is evident that people in different locations value and appreciate things in different ways. While a person in one region finds it worthwhile to spend a substantial amount of time doing a certain unsalaried (but productive) activity, another person living under similar socio-economic circumstances somewhere else may view that activity as a waste of time. Political systems have the power to define what can be regarded as valuable and productive, which thereby set the norms and structures for development and/or growth. There is therefore a need to further uncover and understand the formal political structures and institutions in a specific time-space pocket, and its direct implication for the design of societal development (Wihlborg, 2007).

The conceptual tools based on a time-spatial setting could analyse and value people’s everyday norms and activity patterns in different ways, and thereby avoid inadequate stereotyped standard reforms. A perspective that points out the time-spatial political construction could form an alternative basis for local development approaches. However, as pointed out by Wihlborg (2007), the intention should perhaps not only be to view the future (hypothetical) local development in societies, but primarily to visualise and analyse the hidden resources that are today invisible outside the monetary economic framework.

The discussion in this paper has strived to initiate a debate which argues that all forms of basic economic development are politically constructed, and what can be regarded and valued as development in terms of productive activities are therefore set by the political power, legitimate in time and place. This is especially important to grasp the power of the rural area and to open for new policy incentives forming new markets making the rural life productive and favourable.

## **6.0 “An Evil Monetary Spiral” – Concluding Remarks**

The illustration from Ydre municipality used in this paper displays a common problem of what can be seen as an evil monetary spiral for a local rural community in a welfare state. An ageing population structure and a declining labour market result in the deterioration in tax revenue. As a consequence, the municipality must cut expenses in the annual budget. The local population can, in turn, become critical and demands alternative solutions.

The analysis shows that even non-monetary resources should be taken into account to reach legitimate policy changes in rural communities. This opens a

creative discussion on time-spatial localized policy-making, including extending the interpretations of local resources. As shown above the population regard the schools as a fundamental and important part for the family. As a response to the closing of schools, the people therefore strives to start an alternative “free school” where the parents take a more active role. A possible result could be that some people actually reduce their official working time, in order to assist with unpaid community work within the “free school”. If so, less official working time will result in reduced income, and thereby reduced tax revenue for the municipality. At the same time, the municipality is according to national regulations forced to provide and pay for both public and “free schools” in the municipality. Furthermore, access to a school of good quality is one of the most significant considerations for a younger family. If the school system in a municipality is changed and become less attractive for these families, the result might be that they actually permanently leave the community. This kind of migration trend would affect the demographic structure in the society, leading to an even larger proportion of older people.

The problem of having a double role as institution and employer can become an evil spiral where the municipality is trapped in policies completely steered by annual monetary budgets. With the monetary biased measurements, the municipality cannot efficiently use the productive forces available in the local community, even if the community (through hidden productive activities) might be “richer” than can be displayed in the conventional monetary biased policy structures. The monetary framework, or values of economic activity, is a political construction that is valid under certain time-spatial conditions. Local development is today viewed in different ways and with a different focus. Even so, the analyses are in general still based on a norm limited to growth valued in monetary terms. However, the ideas of what “growth”, “development” and a “good life” actually mean include in reality much more than is today measured and valued in monetary terms. Thus it could be possible to choose public services in line with the NPM idea even in rural areas.

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