

# Introduction to the research program ARTTU

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## 1. Introduction

The project to restructure local government and services, known as the PARAS project, is the most extensive and far-reaching social reform project undertaken in Finland aimed at reorganising local authorities and local government structure. The framework act governing the PARAS reform, *the Act on Restructuring Local Government and Services* (169/2007), was ratified on 9 February 2007 and entered into force on 23 February 2007.

The objective of the PARAS reform is, under section 1, to

*"...create prerequisites for the restructuring of local government and services. The aim of the reform is to use local democracy as a basis for strengthening municipal and service structures, for improving the manner in which services are produced and organised, for overhauling local government financing and the system of central government transfers to local government and for reviewing the manner in which tasks are divided between central and local government so that the organization and production of services which are the responsibility of local authorities would be on a strong structural and financial basis. The aim is to improve productivity, slow down the growth in local government expenditure and create a sound basis for steering the services organised by local authorities."*

Section 1 continues to outline the objective of the framework act as follows:

*"The objective of the Act is to ensure a viable, well-functioning and cohesive local government structure. Moreover, the aim is to ensure high-quality services for all residents in all parts of the country. The service structure must be comprehensive and economically sustainable and must allow for cost-effective use of resources."*

The Act lists in section 1(3) several important aspects that must be taken into consideration when planning and implementing the arrangements for the reform:

- availability, quality and financing of services in all parts of the country,
- fundamental rights and equal access to services,
- operating prerequisites for self-government by a municipality's residents,
- opportunities for a municipality's residents to participate and influence matters,
- the rights of the Finnish-speaking and Swedish-speaking populations to use their own languages and have access to services in that language,
- the language rights of the Sami people and the right of the Sami people, as an indigenous people, to maintain and develop their own language and culture in the Sami homeland.

The general means of implementing the PARAS reform are, under section 4 of the Act, the following:

- municipal mergers with a view to strengthening local government structure,
- increased cooperation between local authorities with a view to strengthening service structures,

- improved operational productivity by making the organisation and provision of local government services more efficient and strengthening the operating prerequisites in urban areas.

The objective of the framework act and the means of implementing the reform apply, under section 2, to all Finnish local authorities regardless of the differences between them. However, because of these differences the practical solutions may vary from one local authority to the next.

The underlying reasons for the launch of the PARAS reform are changes in the operating environment of Finnish local authorities, as listed in the *Government Proposal to Parliament for an Act on Restructuring Local Government and Services* (155/2006) that are deemed to require changes to local government and service structure. Under the proposal, the purpose of the restructuring of local government and services is to ensure the future availability and quality of services for which local authorities are responsible. The Government Proposal also states that local authorities must immediately start taking measures to safeguard services in order to allow adequate time for service reorganisation.

In other words, the reason for launching the reform can be understood from the point of view that, with the structures now in place, local authorities will not be able cope with their future tasks, or will cope with them poorly. So, the goals of the PARAS reform are a cohesive local government structure and viable, well-functioning local authorities that have adequate prerequisites for performing their functions.

Local authorities have three central functions: to act as democratic communities which encourage citizen participation in many aspects of local governance (the democratic function); to provide tax-funded services to citizens (the service provision function); and to enhance regional development to better meet the needs of citizens, businesses and industry (the local economy function).

The element common to all the means listed in the framework act is the assumption that growth provides benefits, also known as *economies of scale*: large local authorities and cooperation organisations are able to use their resources more efficiently than smaller units and gain better results and provide better services with the same resources. This assumption also implies that a larger local authority, or one that is engaged in cooperation, can more efficiently provide better conditions for a viable and well-functioning local authority.

#### A research programme to evaluate PARAS reform

Already at the time of the launch of the PARAS project it was clear that a long-term restructuring process which aims at extensive reforms needs to be reviewed mid-term to allow for better targeting of the change process. It was believed that a long-term evaluation study carried out by an independent external actor would provide information on the change processes of the PARAS project, both the real changes brought about by the project and the impacts of the changes. An evaluation study was also seen as an opportunity to gain information on any unexpected side effects of the reform and gain comparable information from different actors.

An extensive five-year research programme entitled Evaluation Research Programme ARTTU<sup>1</sup>, initiated and coordinated by the Association of Finnish Local and Regional Authorities, was launched in 2007 to evaluate the PARAS project. The actual research and funding term covers the period from 2008 to 2012. The research programme has been prepared and launched in

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<sup>1</sup> For more information on the programme, please visit [www.kunnat.net/arttu](http://www.kunnat.net/arttu)

cooperation between the following actors: seven ministries (the Ministry of Transport and Communications, Ministry of Agriculture and Forestry, Ministry of Education, Ministry of Social Affairs and Health, Ministry of Employment and the Economy, Ministry of Finance and Ministry of the Environment); Local Government Pensions Institution; seven research organisations (Universities of Helsinki, Jyväskylä, Kuopio, Lapland and Tampere; Helsinki University of Technology and Åbo Akademi University) and the 40 municipalities selected for the programme. The research programme is financed by the Association of Finnish Local and Regional Authorities together with the ministries, Local Government Pensions Institution and the participating local authorities.

The purpose of the programme is to convey information on the research, but also to maintain and strengthen dialogue between researchers and practical actors, especially between political decision-makers, in municipalities and in society in general. The objective is also to bring practical benefits to local authorities, particularly for those participating in the research programme.

### Some basic principles of programme implementation

Certain principles have been laid down for the implementation of the programme. *First*, to examine the processes and impacts related to the reform project, the means of implementing the reform prescribed in the PARAS Act were taken as a starting point. To this end, *local authorities that differ in the way they implement the PARAS reform were selected for the programme* and grouped into four categories:

- 1) *Merged local authorities*, that is, those that have made boundary changes after the launch of the PARAS project (in 2007 or later).
- 2) *Local authorities pursuing deepened cooperation*, that is, local authorities that, rather than making boundary changes, strengthen cooperation with other local authorities by establishing partnership areas responsible for primary care and social welfare functions closely associated with it, or by forming larger catchment areas for the above services and services for which the population base of individual local authorities is insufficient (health care districts/welfare districts).
- 3) *Urban regions*, which, under section 7 of the framework act, have an obligation to reconcile land use, housing and transportation in planning.
- 4) *Other local authorities*, which according to their implementation plan of 31 August 2007 propose to carry out the service restructuring without a merger and a partnership area for primary care.

Owing to the broad scope of the research programme and based on former experiences, it has been necessary to limit the number of local authorities participating in the research programme. This allows a more thorough examination of the phenomena. Another important aspect is that participating local authorities should be representative of the entire Finnish local government sector. Therefore, a total of 40 local authorities (until 2009, 65 local authorities), that is, 10 local authorities from each of the four PARAS categories<sup>2</sup> described above, have been selected for the programme using a variety of criteria, including size of local authority, geographical location, type of rural area, language ratio, and economic structure and age structure. By selecting the participating local authorities based on the way they implement the PARAS reform, information is expected to be gained on the impacts of the means for implementation prescribed by the Act.

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<sup>2</sup> For more information on the selection of local authorities for the programme, please visit [www.kunnat.net/arttu](http://www.kunnat.net/arttu)

The local authorities selected for the programme in autumn 2007 represent the PARAS categories as follows:

- 1) Merged local authorities: Hämeenlinna, Kajaani, Kemiönsaari, Lappeenranta-Joutseno, Mänttä-Vilppula, Raasepori, Salo, Seinäjoki, Vöyri-Maksamaa and Äänekoski.
- 2) Local authorities pursuing deepened cooperation: Halsua, Hamina, Harjavalta, Hirvensalmi, Hollola, Karkkila, Kitee, Lempäälä, Pudasjärvi and Vimpeli.
- 3) Other local authorities: Juuka, Kirkkonummi, Kotka, Kuusamo, Lapua, Pello, Pori, Sipoo, Sodankylä and Varkaus.
- 4) Urban regions: Jyväskylä and Uurainen, Kuopio and Siilinjärvi, Oulu and Haukipudas, Turku and Lieto, and Vaasa and Mustasaari.

As for the selection of participating local authorities and the grouping of PARAS categories, it should be noted that the categories are not exclusive, in other words, a local authority can be a member of several categories. Another point worth noticing is that the participating local authorities were placed in PARAS categories in autumn 2007. Local authorities may have later made decisions which would place them in some other category than where they were originally placed. However, this is in keeping with the spirit of the PARAS reform and we can expect that, during the research period, several changes will take place in local authorities that will make it necessary to review their categorisation.

Also, mergers that some of the participating local authorities may undergo after 2009 may affect changes to their structure. In early 2010, the municipality of Ylämaa merged with the city of Lappeenranta, and the municipality of Noormarkku merged with the city of Pori. By January 2010 it was known that the municipality of Karttula merges with the city of Kuopio in 2011 and the municipality of Yli-Ii with the city of Oulu in 2013. In addition, there are other ongoing explorations into the possibility of a merger which would affect local authorities participating in the ARTTU programme: Hamina and Virolahti, and Kotka and Pyhtää are exploring a merger, as are local authorities in Lahti, Vaasa and Oulu regions.

The *second* principle is related to areas that the measures taken under the PARAS project are expected to influence. Areas included in the research programme are *democracy and leadership, local government services (social welfare, health care and education), staff, municipal finances and local economy and the structural functionality of urban regions*. The programme also includes evaluation studies implemented as separately financed projects: *the evaluation of the planning stage of PARAS reform and the evaluation of its linguistic implications and gender impact*. The universities and research units responsible for studying these different areas are given in Figure 2.

*Third*, the early stages of the research programme confirmed the assumption that the means of implementing the reform prescribed by the Act — mergers, establishment of partnership areas and cooperation between urban regions — do not, as such, produce the expected advantages. They are the tools for organising functions, or visible structures, and offer development potential only; local authorities need to harness this potential after a merger, for example. The particular focus of the research programme is to find out *how local authorities have harnessed this potential* by concentrating services or by making changes to ways that services are provided, and to observe the impacts of these measures from different perspectives.

*Fourth*, originally the objective of the Evaluation Research Programme ARTTU was to examine the impact of the PARAS reform. However, as the programme progressed, researchers noticed that many other aspects of daily operations in municipalities either support or prevent the realisation of the PARAS project objectives. Economic slowdown, or other development projects in different local government sectors are good examples of this. At a practical level, it

is neither easy to tell which changes are a result of the PARAS reform and which have other causes, nor is it necessary. *While the Evaluation Research Programme ARTTU aims to determine the impacts of the PARAS reform to the extent possible, the primary goal of the programme is to find answers to the following questions, which are more general in nature:*

- *What decisions have local authorities made and what measures have they taken during the PARAS project, or what has occurred in the municipalities?*
- *What impacts do these measures and events have from the perspective of the research modules?*
- *What factors lie behind the differences in how the PARAS reform has progressed in different municipalities?*
- *Has central government steering helped implement the PARAS reform in municipalities and how?*

While the primary method used in the research programme is a *multiple constituency model*, there is also variation in the use of methods between the research modules. Data gathered through surveys is first and foremost used in the research modules on staff, and democracy and leadership. The main method used by the research module on structural functionality of urban regions is the analysis of documents and interviews. The modules that examine services and economy use statistics and local government documents as their primary research material.

#### Evaluation Research Programme ARTTU — stages and reporting

In order to determine the activities of local authorities and analyse their impact during the PARAS reform, the objective of the evaluation programme during the first period 2008-2009 was to *assess the situation of local authorities at the start of the project*. While the majority of research data is from the period 2006-2007, some parts of the data, especially extensive resident and staff surveys conducted for the programme, are from 2008 and 2009. Statistical data prior to this was also collected as some of the participating local authorities had already made decisions in keeping with the spirit of the PARAS project prior to 2006. Consequently, the changes that have taken place in these local authorities during the PARAS programme period may be minor.

Towards the end of the research project, in 2011-2012, *an assessment of the situation at the end of the reform* will be carried out and the main research questions will be answered. Some of the research modules carry out a survey or conduct interviews at the start and end of the project; others compile annual statistics and documents for the entire duration of the project.

Each research module creates its own report on the survey of the circumstances in local authorities at the start of the project. Further, the key findings and conclusions of the research modules on the initial situation of the local authorities are compiled in a summary document. At the end of the project, each module creates a final report where they seek to answer the basic questions related to the ARTTU research presented earlier.