

The Kainuu regional experiment: deliberate and unintended effects of scaling local government tasks to the regional level

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Abstract

This article examines the deliberate and unintended effects of the Kainuu Regional Experiment, a regional reform where some important local government tasks were rescaled to the regional level. The analysis is based on the empirical results of a long-running evaluation study. In Kainuu, the new regional government was successful in securing the quality and availability of welfare services, but in the task of regional development – creating new growth and development – its role has been practically secondary, and in some cases the new regional government has been marginalised by the tensions built into it during the rescaling process. The Kainuu experiment exemplifies a case of rescaling where some (political) tensions between two perspectives/factors, service and development, were rescaled together with local government functions, reflecting the reformer's problem that it is extremely difficult to achieve many different outcomes with one governance expedient. Altering the scale of governance has consequences for political decision-making, power structures, institutions, and citizens. Rescaling through a restructuring of hierarchy may produce different outcomes in different activities, and the coercive character of the tool can both create unexpected tensions and undermine network activity.

Introduction

The rescaling of governmental power from the state and local levels to the regional level has often been presented as an answer to the challenges of both competitiveness and increasing the efficiency of public service production (Jones and Macleod, 1999; Keating and Loughlin, 1997; Herrschel and Tallberg 2011, 9). Economies of scale, economies of scope, joint planning and joint policy coordination are believed to enhance the quality and efficacy of public policies (for a review of the research findings on scale economies in local government, see Byrnes and Dollery 2002 or Boyne 1995). The particular strength of the regional level is that it is usually large enough to overcome many production-related obstacles in public services while also working relatively close to citizens (Lidström 2011, 21).

But do different rescaling tools always produce similar results? In Finland, rescaling took an interesting form in a special self-government experiment in the Kainuu region. The experiment was launched in 2004 because of the weak economic situation of the region's municipalities, the rising unemployment figures and the very challenging demographic trend. The Kainuu experiment could be defined as rescaling (Brenner, 1999) or experimental regionalism (Fürst, 2006) because it was a state-induced reform intended to test different aspects of regional self-government by transferring decision-making power upwards from

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municipalities to the regional level and downwards from the central government to a regional council elected directly by the residents of the region. What makes the Kainuu case particularly interesting is the nature of rescaling, which differs from mainstream regionalism such as the actor networks based new regionalism (Keating 1998; MacLeod 2001) and local government amalgamation reforms.

In this article, we explore the rescaling of governance by studying the Kainuu experiment, especially by focusing on the performance of democratically elected regional council as a rescaling tool. We ask the following research questions: “What are the consequences of a regional reform, where important local government tasks are rescaled to the regional level using an elected regional council as the tool of reforming?” and “What do the outcomes reveal about the strengths and weaknesses of the hierarchy approach in an attempt to build a region?”

With regard to rescaling tools, we distinguish hierarchical rescaling from the network approach, and define the different approaches on the basis of the amount of obligatory and voluntary elements included in them.

We make two contributions to the debate on rescaling and regionalisation. First, and quite pragmatically, we evaluate the deliberate and unintended outcomes of rescaling and especially consequences on health care services and regional development policies, which earlier had been the responsibility of the municipalities. Here, the results of our evaluation study clearly show both the advantages and the pitfalls of rescaling. The impacts of the Kainuu experiment are twofold. In the case of services, regional decision-making brought significant results in securing the quality and availability of services while at the same time contributing to an almost 50% decrease in the rise of the municipalities’ operating expenses for social and health care services. The results for regional development, however, were not as good. The democratically elected regional body was unable to find new and innovative ways of development and could not support regional economic growth.

Second, and more importantly, we focus on the organisational dimensions of rescaling and the contingent character of rescaling tools. Two tensions built into the Kainuu experiment – namely, the tension between services and regional development and the tension caused by citizen disaffection – make it possible to analyse the theoretical notions concerning the rescaling tools; specifically, to investigate the strengths and the weaknesses of hierarchies. We argue that in addition to the deliberate outcomes, rescaling reforms also have consequences for political power structures and institutions. Hierarchy including the exercise of authority was necessary to implement structural changes that contributed to the collection of resources and the improvement of service performance. But the exercise of authority, coercive use of power, does not necessarily produce innovations and economic growth.

The data presented in this article are derived from the last phase of a long-running empirical study which started in 2004, when the authors of this article were commissioned to conduct an independent evaluation of the experiment. The evaluation ended with the final report in spring 2010. The final phase of the

evaluation focused on the effects of the self-government experiment, especially in relation to services and regional development.

Methodologically, the evaluation research dealt with a complex policy system, and thus the evaluation research was seen as calling for triangulation in order to make decisions and judgements about the significance and weight of various sources and forms of evidence. The main sources were a citizen survey (997 respondents), interviews of politicians and public officials (40), statistics, documents, study reports and GIS (geographic information system) data. A detailed description of the data, the study process, the methods and the materials is given in the report of Jäntti et al. (2010). Because all of the empirical claims made in this article are based on the data presented in this evaluation report, references from the evaluation report are not repeated in the text if there is no particular reason to do so.

From networks to hierarchies

Upward rescaling of public governance means that policies and services are coordinated for a larger geographical area than previously. In the Finnish political reality, intermunicipal cooperation has traditionally been the tool applied in activity of this kind (Hulst et al., 2009). Indeed, intermunicipal cooperation is well developed and takes place in many areas of municipal operations, such as health care, local economic development, education and culture. Because there is no regional self-government in Finland, regional activities have also been coordinated through intermunicipal cooperation. As a coordination mechanism, intermunicipal cooperation is based on the network approach, as it relies on interdependencies and the voluntary cooperation of equal actors.

The establishment of a regional government that is financially independent of the municipalities and headed by a council that is elected directly is a question of hierarchical governance, i.e. rescaling through hierarchy. Matters that had previously been decided by municipalities jointly are now decided by the regional council. Thus, it can be deduced that the Kainuu Regional Experiment represented a transition from networks to hierarchies, and from governance to government.

The idea that markets, hierarchies and networks form the basic alternative strategies for the coordination of social action is a central theme in governance literature. Unlike markets, hierarchies and networks represent consciously constructed and established attempts to generate a system of coordination (Thompson, 2003: 48), which is why hierarchies and networks are the basic instruments in the discussion on rescaling tools.

Both networks and hierarchies are intended to answer the problems of collective action arising from the delegation of responsibilities for services and development to a multitude of local governments and authorities (see Feiock 2009). The hierarchy tool aims at resolving problems in collective action by centralising decision-making authority for certain topics over the area involved and by collecting important material and human resources under the decision-

making power of one democratically elected leadership. The network approach, on the other hand, relies on voluntary cooperation, created by mutual interdependencies and collective interest, to coordinate decisions while preserving the autonomy of the municipalities involved (see Bardach, 1998; Graddy and Bin, 2006).

The most striking characteristic underpinning any hierarchy is that the decision-making authority is concentrated at the top of an inverted tree structure. The single organisation or agent standing at the top of the decision-making process has power (as an employer, by public law, as a financier etc.) and the direct right to resolve any conflicts that may arise (see Weber, 1978; Stacey, 1991: 223). Whereas market forms of governance rely on prices, competition and contracts to keep all of the parties to an exchange grounded in their rights and responsibilities, hierarchical forms of governance bring parties to interact under the direct control of a third party (Williamson, 1975).

Two arguments are usually presented to defend the use of hierarchy as a tool for rescaling. Firstly, rescaling is seen as leading to the rise of more efficient decision-makers, especially with regard to issues loaded with tensions and conflicts. Secondly, it is considered to be a more democratic way of rescaling, in particular, when hierarchic institution(s) with new elected bodies are created as well. (Savitch and Vogel, 1996: 271; O'Toole et al., 2000: 266-7.) One of the main weaknesses, on the other hand, is that coercive use of power often encounters resistance (Blauner 1964, 199-200; Pettigrew 1977, 85).

Networks, on the other hand, are characterised by interdependence, flexibility, dynamism, flat form, informality rather than formality and common goals (e.g. Child, 1987). The power of a network as a coordination mechanism is usually seen to spring up from actors' voluntary will to act together. Equal actors negotiate together on common targets and cooperate to reach mutual goals because they are dependent on each other. Coordination is based on negotiation and common will. Governance by networks is then based on the consensual premise that actors with diverse positions and capacities can achieve a common agenda and deploy resources in a positive sum game.

The qualities of hierarchies and networks indicate that, when applied as rescaling tools, they meet different needs. Hierarchy-based rescaling can support the division of work, standardisation and firm decision making, whereas networks may provide better platforms for greater policy responsiveness, innovation and citizen involvement. The competitiveness-driven and economy-focused academic literature on new regionalism (Keating 1998; MacLeod 2001), has highlighted networks as rescaling mechanisms in region-building. In the case of Kainuu, with its directly elected regional council, it was more a question of hierarchical rescaling.

Kainuu self-government experiment as a rescaling reform

Experiment is a special reform strategy, the main principle being that reform ideas are first tested and evaluated, and only thereafter are they possibly put into

use widely. During 2005–2012 Kainuu region, an area of the size of Belgium and with a population of 83,000, implemented a self-government experiment based on fixed-term legislation (the Act on the Regional Self Government Experiment in Kainuu 2003). The core goals of the Kainuu experiment can be condensed into two segments. Firstly, the experiment was set up to create an organisational solution, a structure that would secure the production of basic services in a very challenging situation. Secondly, the experiment was launched to create better premises for regional development by supporting the regional council in promoting new businesses and new jobs and by bringing outmigration from the region to a halt.

Before the Kainuu experiment, in 2001, the Finnish Government had first launched an experiment (called *SEUTU*) that was meant to enhance voluntary cooperation between municipalities. But the outcomes of the SEUTU experiment were fairly modest, thus paving the way for an experiment with more coercive rescaling tools. The results of SEUTU indicated that, as a tool, voluntary cooperation is not adequate or rapid enough to tackle the crucial problems encountered in public services in diminishing regions such as Kainuu. The functions of inter-municipal organisations suffered from slow and unreliable decision-making. (See Airaksinen et al., 2005; Nyholm 2008)

The failure of the SEUTU was one of the main incentives for moving on from network-based rescaling to the use of hierarchy as a tool. The Kainuu experiment involves two significant differences when compared against SEUTU and other inter-municipal cooperation models applied in Finland. Firstly, a major share of the functions for which municipalities used to bear responsibility (health care, social services, upper secondary education and regional development; in total, 60% of the municipalities' tasks when measured by the budget, and the work of some 3,800 people) was now rescaled to the regional level *under one multipurpose authority*.

Secondly, the Act introduced a *directly elected regional council*, and Kainuu became the first self-governing region in mainland Finland. Apart from Kainuu, there has been no independent and directly elected multipurpose organisation at the regional level. The members (political appointees) of joint municipal boards are named by the local municipal councils, and the boards can exercise decision-making power on inter-municipal issues in line with the issues delegated by the participating municipalities. The regional councils, which function as regional planning and economic development organisations, are statutory joint municipal authorities, and they – as other municipal boards – rely on the power and resources of their local government members.

The legislation prescribing the experiment was applied in eight out of ten municipalities in the region. The number of municipalities participating in the experiment had initially been nine, but the number was reduced to eight when a small municipality, Vuolijoki, merged with Kajaani (the centre of Kainuu region) in 2007. The municipalities voluntarily took part in the experiment, but after deciding to participate, they were unable to leave the experiment before the end of the period (2005–2012). The Joint Authority of Kainuu Region took care

of the following functions on behalf of the municipalities: health care and social welfare; upper secondary education; regional planning and development; and their financing. The regional council was also responsible for the general economic development policy of the region; it looked after the region's interests and promoted cooperation with foundations and organisations subject to public or private law, which are central to the region's development. An extra tool planned in the experiment was to transfer broader power from the central government to the regional council. However, this intention was not properly implemented, which may be one reason why the objective of better regional development was not realised.

Decision-making power was exercised by the regional council, made up of 59 councillors elected by the region's residents for four calendar years at a time. The regional council directed the joint authority's operations, made decisions concerning the central goals of its operations and economy and acted as the joint authority's supreme decision-making body (figure 1). The regional council made decisions concerning administrative regulations and other standing orders, the annual budget and the distribution of funds to the region's various activities. The council also had to ensure that the services provided by the joint authority were adequately available to residents throughout the region.

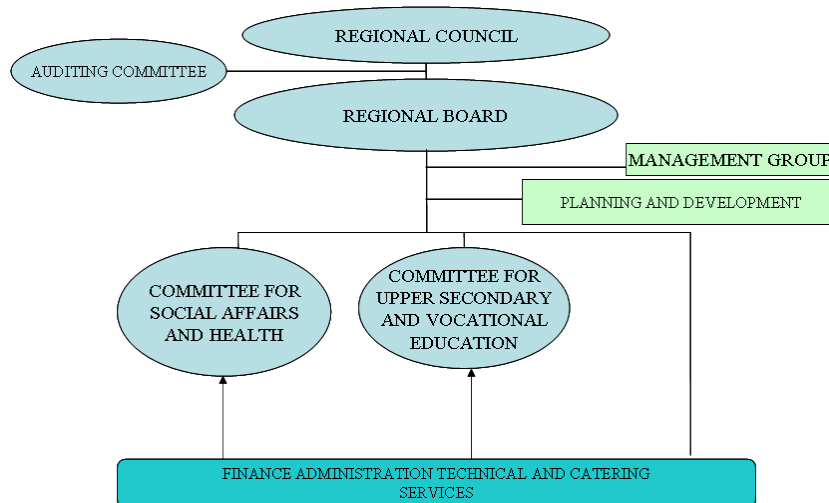


Figure 1. Organisation chart of the Joint Authority of Kainuu Region

Thus, the region exercised decision-making power over the core welfare services that used to fall within the competence of municipalities. Municipalities financed the joint authority by allocating 60 per cent of their revenues to the joint authority. The revenues included transfers from the central government and taxes.

The authors of this article studied the experiment rather comprehensively through a three-part evaluation research project which focused on evaluating: 1) the launch of the experiment, its aims and preparation (Airaksinen et al., 2005);

2) the progression of the experiment, the actors' commitment to the experiment and change management (Airaksinen et al., 2008); and 3) the outcomes of the experiment (Jäntti et al., 2010).

Pivotal outcomes of the Kainuu experiment

Before the self-government experiment, health care and social services faced a very difficult situation. Most of the region's municipalities were struggling with a financial crisis and an ageing population, and the prospects for the future looked alarming. Some interviewees described the situation in health care services before the experiment to be '*free falling*'.

Service production costs differed dramatically between the municipalities and some had severe problems in providing a satisfactory level of services. There was variation in the increase in expenditure, but in all the municipalities the average growth in expenditure for health care and social services was more rapid than the national average. (Airaksinen et al., 2008.)

The Kainuu experiment can be regarded as very successful with regard to services, particularly social and health care services. The experiment helped to secure the services in difficult circumstances without any significant weakening of the service network or service content. This conclusion made in the final evaluation report was based on an extensive analysis of services, their availability and quality, and on customers' opinions. At the same time, the provision of social welfare and health care and education services was considerably cost-effective. (Jäntti et al., 2010.)

Rescaling by gathering existing resources to one regional organisation substantially strengthened the capacity of the region's health care and social services. Before the experiment, developers, management and personnel spent their working time taking care of the everyday routines involved in service production. As a result of the reform, the personnel and the management had more time to augment their know-how and enhance the quality of services by utilising the latest research results and experiences from other cases. The more extensive platform of development resources made it possible to take part in and launch more extensive research and development projects. The new structure made it possible to develop the contents of the services through inter-professional cooperation, and to find solutions to the changing needs of the diminishing and ageing population.

Thanks to the rescaling of services and the skill of the management responsible for the implementation of the new structure, the growth rate of expenditure decreased during the experiment. In Kainuu region, the growth rate was clearly lower than the national average. This was a substantial change when contrasted against the figures obtained before the experiment (see figure 2). The annual contribution margins of municipalities in Kainuu region improved markedly during the years 2005–2009. The goal of boosting the local economy and regional development in Kainuu was not attained as successfully as the goal of securing the basic social and health care services.

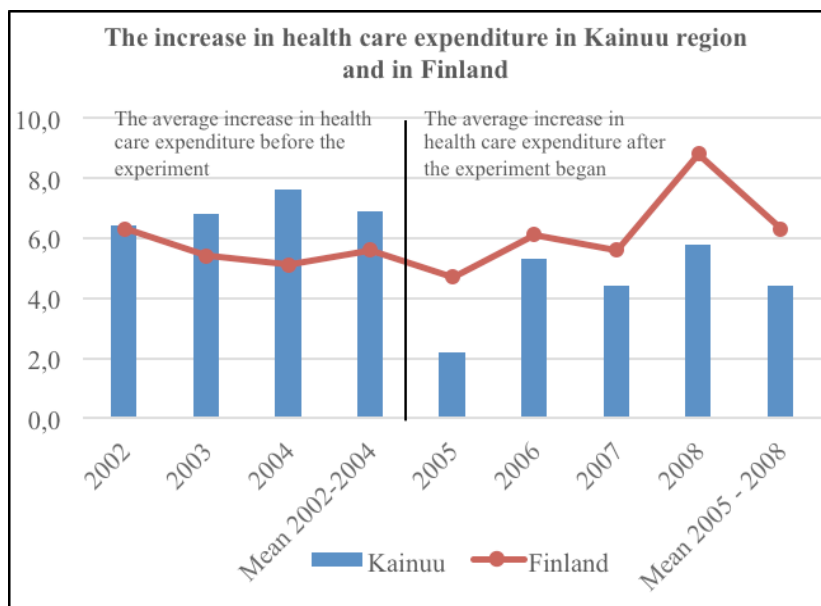


Figure 2. Increase in health care expenditure in Kainuu region and in Finland, 2002–2008 (Jäntti et al. 2010)

Local economic development was not strengthened, nor was there a crucial change in outmigration (see figure 3). The directly elected regional body was not able to find new and innovative solutions for development. Its mainstream attitude seemed to be securing the basic prerequisites for all of the region’s citizens in the near future. Despite the Regional Council’s broader power in the allocation of regional development resources, these resources were allocated mainly in the same way as before the experiment.

One of the reasons for the modest progress is explained by the fact that regional self-government in relation to the central government was to some extent cosmetic, thus deviating from the original plan of the experiment. The competences to decide on some important regional matters, such as employment appropriations, were not transferred with the start of the experiment. The lack of competences weakened the possibilities to allocate resources in a manner differing from the national policy definitions. In a situation where local wisdom and expertise on substance were set one against the other, the expertise on substance took precedence.

Moreover, some fundamental contradictions in the allocation of regional development subsidies became visible. The clearest contradiction was between the tendency to stress equality, on the one hand, and the need to focus the scarce resources on a few potential targets, on the other hand. The differences in attitude could be seen between the central (Kajaani, Sotkamo) and rural or more

remote areas of the region. While in the central areas the equal allocation of resources was thought to prevent the competitiveness of potential business ideas, in some of the rural municipalities it was thought that the allocation of resources focused too much on the two regional centres. Many actors in the rural municipalities interpreted this to be in contradiction with the basic aims of the experiment, because the preambles of the legislation state that:

It is essential that all the municipalities in the region are able to utilize the common production of services and that local economic development activities meet also the needs of the rural areas of Kainuu.

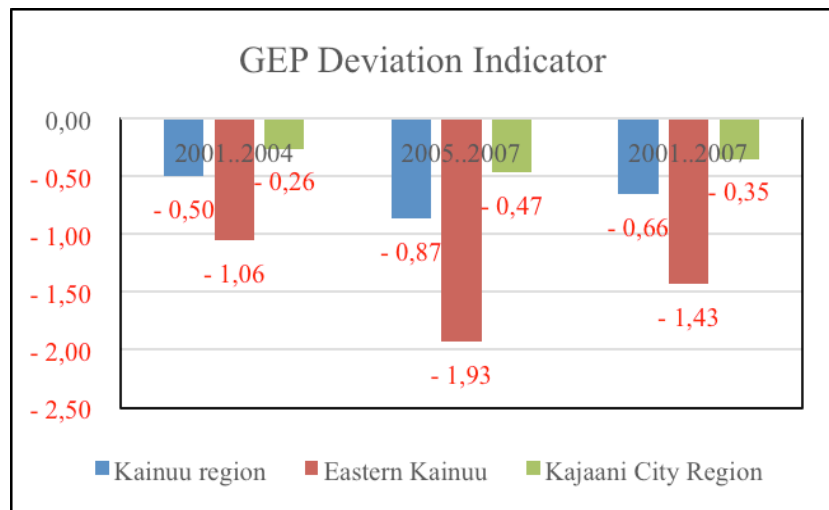


Figure 3. Development of Kainuu according to the GEP indicator¹. (Jäntti et. al. 2010).

Rescaling of representative democracy and the tension between services and regional development

A rescaling reform affects the political and institutional balance between a region and localities, thereby possibly leading to many unintended outcomes (see also Gibbs and Jonas 2001). The democratically elected regional council seems to be a suitable tool for securing services in difficult circumstances. In the case of Kainuu, it was necessary to exercise authority in order to implement structural changes that helped to put resources together and improve performance in services. However, the exercise of authority had many unexpected side-effects, which may be one reason why the experiment failed with regard to regional development. The most important side-effects, according to our evaluation, were the (political) tension between service and development focus and the tension caused by citizen disaffection.

The exercise of authority may be an efficient tool, at least in the short term, for putting resources together and reorganising activities. However, the exercise of authority can also undermine inclusion and reciprocity, which are important characteristics of regional development and which, in the long run, constitute the base of any legitimate system.

The starting point of the experiment was framed by a weakening municipal economy, declining entrepreneurial activity and employment, and fragmented financing structures. These challenges were confronted by trying to pull together the fragmented group of actors, resources, competences, visions and aims, and by giving the regional council more decision-making power in allocating regional development resources. The basic aim was to create more effective regional development also by giving regional actors the possibility to pursue specially defined local economic policies, which was promoted by amplifying the region's self-government.

Regional development and basic services were combined to form a holistic approach to the well-being of a whole region. As a result of the holistic approach, however, the regional development and local economic policies were sidetracked, because basic services constantly dominated the discussions held in the regional council. This is understandable and can be seen as linked to the new structure of representative democracy applied in Kainuu. Basic services are near citizens, so the citizens contact their councillors in matters concerning the nearby health clinic or upper secondary school, which in turn obliges the councillors to highlight the same worrying matters in council meetings.

In Kainuu's previous system of governance (as in municipalities at present in other regions of Finland), it was typical for local government council meetings to engage in political struggles between service orientation (the current and concrete needs) and local economic development (investments, sources of livelihood). According to a view commonly held among local councillors, local governments should focus on services and use their assets for the benefit of children, the elderly or some other specific target group in need of welfare services rather than focusing their scarce resources on economic development initiatives, monuments – or less concrete – innovation policies. However, there are always local councillors who favour economic development policies; in their view, focusing on services means a hand-to-mouth orientation in local government decision-making. This tension is more visible in some municipalities and less visible in some others; but on occasion it is relevant in almost all local councils.

In the governance model of Kainuu, this tension between services and local economic development was rescaled to the regional level. Councillors of the regional government concentrated on matters that were most visible and concrete to the region's citizens, and these matters were usually related to services rather than regional development. Decision-making was often considered to be a trade-off situation between services and regional development with the latter activities seen as more distant and exclusionary.

Our evaluation research findings show that the regional council's decision-making was conservative and cautious with regard to the allocation of regional

development funds. The democratically elected regional body was not able to focus or take risks in allocating the pooled resources. It is illustrating to note that the only area where the council clearly deviated from the line of the other regional councils and used its enlarged autonomy was public transport, which can be seen as a service with a direct effect on many citizens.

The tension between services and regional development derives from the change whereby authority over and responsibility for services and economic development were moved upwards in the administrative hierarchy. In consequence, the earlier tolerance of differences between municipalities was gradually replaced by the requirement of regional uniformity – especially as concerns the availability and quality of services. In the regional council's decision-making role, this was expressed as an orientation to even out disparities between different parts of the region.

When access to a service is weakened or a service is totally cut from some peripheral area, the area can get some development funding from the regional council in return (regional council member).

In the municipalities of Kainuu, many leading politicians and administrators feel that this 'even out culture' hindered the development of the Kainuu region, claiming that the implementation of some important regional projects failed because of it. In their view, funding should have been focused better on some strategic projects in order to achieve results. In the worst of cases, strategic decisions and choices are left hanging because the assumed future development is seen as threat to regional equality.

The rescaling of decision-making to the regional level has probably had a negative effect on the functioning of local and regional development networks. In the reformed Kainuu, it seemed that there was less room for networks in the region's hierarchic, transparent and timorous decision-making culture. If a wide range of the region's key actors – including the private sector – is to be integrated to the region's development work, it is difficult to meet the requirements of representative democracy.

In the academic discussions on regional development, the border between public service orientation and regional development is vague. Regional development is related to almost all other policy issues at local and regional level. Regional development goals have to be considered as an integral part of policy calculation in areas of regional government responsibility, such as environmental protection, welfare services and education. But in the everyday decision-making practice of the region, it is services that are closest to citizens; services such as basic health care, services for the elderly and public transport, which are important and politically rewarding.

With the passing of time from the implementation of the reform, the local governments in Kainuu began once again to strengthen their local economic development policies. This trend can be explained in part by the situation that

municipalities had more mental and material capacity free to be used for different purposes. But according to the municipal managers we interviewed, it was also a natural consequence of the fact that when the measures taken by the regional authority were unsatisfactory and unable to solve the problems encountered at the local level, the municipalities themselves had no choice but to tackle these problems.

Rescaling of representative democracy and the tension between Kainuu residents and the politico-administrative elite

Despite the fact that the Kainuu model achieved good results in securing services for the region's residents, the residents of Kainuu themselves did not trust the regional institutions and their decision-making. This conclusion is reinforced both by the weak voter turnout in regional elections and particularly by the results of our survey, which was directed at the residents of Kainuu.² Citizen disaffection can be seen in many single answers, and the results are fairly indisputable. This result is congruent with the notion of Lidström (2011, 31), who contends that there has generally been limited support among citizens for the establishment of new regions (see also Hendriks, Loughlin and Lidström 2011, 741).

Voter turnout is usually considered one of the most significant indicators of democracy. The experiment transformed the region into a two-level regional self-government system where the will of the residents is channelled directly through both municipal and regional elections. The residents of the region were able directly to elect their representatives to the region's highest decision-making organs. A low turnout at the polls can indicate that the legitimacy of the model is weak.

The voter turnout for municipal election – which is low in Finland when compared with that in other Nordic states – remained at about the same level for elections between 2000 and 2008 – before and during the experiment (table 1). Voter turnout for a regional election was somewhat less than for a municipal election. The figures were considerably lower than what was expected, especially taking into account the 'historical moment' in which the Kainuu residents cast their vote. The year 2004 marked the first time in Finland when the citizens living in a region were able to vote directly for regional government.

The modest voter turnout in regional election was clearly a disappointment to the region's leading politicians and officials, as well as to reformers in the central government. On the other hand, owing to the lack of a benchmarking point, we don't know what the 'normal level' for a regional election would be. This is one reason why we cannot make very far-reaching conclusions only based on voter turnout. Another reason is that many factors other than the administration experiment also affect voter turnout.

Table 1. Voter turnout (%) in municipal and regional elections in Kainuu, 2000–2008

	2000	2004	2008
Municipal election (Kainuu)	53	52.4	53.4
Municipal election (Finland)	55.9	58.6	61.3
Regional election (Kainuu)		51.3	52

Nevertheless, the results of our survey evidently indicate that trust towards regional institutions and actors is weak. The residents of Kainuu were disaffected with both the decision-making and communication of the region, and they have less trust in decision-makers than residents in comparison municipalities. Some of the indicators of citizen support were alarmingly negative. Only 13 per cent of respondents considered decision-making to be just and equal, and 75 per cent of the respondents thought that there was considerable room for improvement in the way matters were handled in the region.

When it comes to the functioning of the model with regard to the role of the regional council and residents' possibilities for participation and exertion of influence, the differences between residents' views and decision-makers' views were remarkable. The members of the regional council considered their work to be successful and legitimate. The majority of the members also considered the work of the council as being well representative of the region's various municipalities and areas. The regional council's politicians and administrators were fairly satisfied with residents' participation and possibilities to exert influence. Our survey on the residents' opinions had the opposite results.

One apparent contradiction in the results of the survey is that despite the critique aimed at the work of the regional elite, the residents of Kainuu had a rather positive attitude about continuing the Kainuu experiment. Almost half of the respondents felt that social and health care services should be taken care of by the region in the future as well.

The gulf of distrust between the regional elite and the residents did not exist before the self-government experiment, and it was not so visible in other regions of Finland – despite the fact that the legitimacy of the regional councils has often been questioned in research and policy papers because of a democracy deficit. This probably stemmed from the fact that regional councils used to be responsible for matters that were distant to the residents and were perhaps less interesting or less important to them.

In Kainuu, as in the other regions, the region's politico-administrative elite had traditionally been able to act freely and independently, but now citizens'

watchful eye had started to affect them. In consequence, matters were disputed more so than before. One could perhaps call this a politicisation of regional decision-making, a phenomenon which among other things affects the possibilities for and restrictions to achieving the intended results of the experiment. There is also a clear link between the politicisation of regional decision-making and the first tension, the tension between services and regional development in regional council decision-making. The more straightforward pressure from citizens kept regional decision-makers focused on services rather than regional development.

If there is no conflict, there probably are no important issues to handle and no legitimate actors to take responsibility. Indeed, positively interpreted, these phenomena may reflect the working of democracy and the institutionalisation of the regional level government of Kainuu region. Wide and well-focused critique towards the regional council and the executive officers of the region can be thus interpreted as one sign of a well-functioning political system. The hierarchical model of Kainuu can be considered a fairly transparent system, and the region had started to emerge as a political arena and political actor. The Kainuu experiment was implemented in a challenging situation, and for many residents it seemed to be a belt-tightening project that meant changes to many familiar and safe institutions. It would be rather worrying if there were no critical voices at all, or if the critical voices targeted institutions other than the regional council.

The tension also indicates the problems of legitimacy involved in the (necessary) change and can, in some way, be explained by shortcomings in change management, regional leadership and communication. Technical and coercive use of power easily engenders resistance. The schedule was tight and the objective was extremely ambitious. The leaders of the region desperately wanted to reform the services in a successful way. But a model based on residents' self-government should enjoy trust and acceptance, it should be able to work and it should be legitimate. Stable action in both organisations and communities requires legitimacy. Pettigrew's (1977) work on the management of meaning is a classic in addressing how legitimacy is created and the impact of not achieving legitimacy.

In the case of Kainuu, structures changed but the institutions did not necessarily follow and the new structure was not properly legitimised. The outcome was that a quite successful structure was abandoned. In 2011, the municipalities had to decide on extending the experimental legislation. One out of the eight municipalities refused to continue the experiment, on grounds that were familiar from the conflicts encountered during the earlier stages of the experiment. One of the small municipalities stated that the bigger entity, Kainuu Council, had not succeeded in listening to the needs of small and remote municipalities. The nail in the coffin was the decision of the seven other municipalities to hand over their state subsidies for social and health care services to the regional level. By contrast, in the past the municipalities had been able to use the surplus of their state subsidies for the local development. The experiment was not continued; it ended in 2012. However, seven out of eight municipalities have continued to produce their social and health care services through a regional joint authority.

Conclusions

The governance experiment of Kainuu had two main goals: to promote regional development in the Kainuu region and to secure the quality and availability of services even in a situation where the discouraging population forecasts proved to be accurate. As a practical conclusion, it can be noted that the regional government of Kainuu was relatively efficient in rescaling the municipal services into one regional organisation and securing the quality and availability of services. However, in the task of regional development – the creation of new growth and development – the regional government's role was practically secondary and in some cases marginalised by the tensions inbuilt in regional rescaling. Governance rescaling produced a situation where Kainuu regional council had to struggle with the same tensions that had been typical policy problems at the municipal level before the self-government experiment.

The Kainuu experiment serves as a case of rescaling, where some (political) tensions were rescaled together with local government functions. In this article, we have presented and tentatively analysed two such tensions that could be detected in our empirical research material. The first was the tension between services and regional development in the regional council's decision-making, and the second was the tension between the residents and the politico-administrative elite of Kainuu. In our interpretation, these tensions demonstrate that the rescaling of governance has a deep impact on a region's political and institutional balance, and they reflect the idea that a governance model producing good results in one objective can have neutral or even negative effects on some other objective.

Strengthening of the region's self-government and rescaling a large segment of important public sector activities under the decision-making power of one hierarchically commanded unit were not enough to boost regional development in the case of Kainuu. On the contrary, the new structure had a negative impact on the network activity and strategic orientation that are essential to regional development policy. The structure was able to promote integration, it served as a platform for creating shared interpretations, it certainly functioned as a platform for reforming services and it defined power relations in the region quite clearly. But at the same time, it locked the discussion around the topic of equal opportunities for every municipality and the use of hierarchical, coercive power created disaffection among citizens.

The research results obtained from the Kainuu experiment may have even wider implications with regard to the strengths and weaknesses of particular rescaling tools. Concentrating tasks and resources to the regional level under one directly elected and hierarchical government is not necessarily an answer to challenges posed by many policy problems. Instead, different tasks require different organisational solutions in order to produce the intended outcome. One model of region building is not appropriate for all government functions; services (managerial orientation, restructure, even out and standardise) and regional

development activities (create opportunities for innovation, take risk, create networks) benefit from different approaches.

This deliberation is directly connected to the current debate on differences between the governance (networks) orientation and the government (hierarchies) orientation referred to in the beginning of the article. It is also directly linked to some basic principles of modern organisation theory that are well represented in many classics, particularly in the writings of Henry Mintzberg (1979, 1983). His theory on the structuring of organisations describes the functions and environments where different organisational models can serve effectively. An innovative organisation cannot rely on any form of standardisation for coordination. Adhocracy with a highly organic configuration and little formalisation of behaviour is therefore considered to be the most suitable structure for organisations meant to foster innovation and learning.

This line of thinking supports the (nowadays common) belief – which is well presented in the new regionalism literature (Storper and Wharf 1997; Rylander and Tallberg 2015) – that innovation and development policies belong to apolitical, pluralistic areas of decision-making. Strong hierarchy is characterised by standardisation, control and restriction, but regional and local development work and innovation policy by definition can be expected to benefit from a plurality of actors. This can be explained both by the flow of ideas resulting from the multitude of actors and by the larger base of commitment, which is necessary in developing a specific region or municipality. Networks also, by definition, offer participation opportunities for various public and private actors, including citizens. Conversely, a scarcity of networks can lead to poor participation opportunities.

It seems that the answer to addressing the challenges of regional development at the local–regional level is not primarily to rescale development activities and enlarge the steering (government) power of the regional level per se. Rather, it is important to broaden network abilities and support the self-renewal capacity by encouraging and supporting the activities of actors working at different levels and in different institutions.

This can be brought back to the different tools of rescaling. The exercise of authority – as an inherent characteristic of the hierarchical tool – was necessary in implementing structural changes that helped to collect resources and improve service performance. However, the same exercise of authority led to a culture of evening out in regional decision-making and undermined trust and reciprocity, thus contributing negatively to regional development activities. This reflects the reformer's dilemma: it is extremely difficult to achieve many different goals with a single governance tool.

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Notes

¹ The GEP deviation indicator is calculated from the components of Gross value added (GVA), Employment and Population by comparing regional growth percentages against those for the whole country and by adding up the differences in the data for the whole country and the regions.

² The survey was sent to 2050 citizens of Kainuu, and the questions measured their opinions on services, decision-making, participation and democracy. In all, 977 people returned the form, making a response rate of 47.9 %. The material was compared against the results obtained in the Arttu survey, which cover 13,000 respondents from 40 municipalities located in different parts of Finland.

Appendix 1. Local and regional government in Finland, some concepts.

- Municipality (in Finnish *kunta*) = the basic unit of local government in the Finnish system of public administration.
- Joint municipal authority (*kuntayhtymä*) = a public authority jointly formed by a group of local authorities (a synonym for inter-municipal authority, federation of municipalities, or consortium of municipalities).
- Region (*maakunta*) = an intermediary administrative unit in the Finnish system of public administration. Formally, regions are joint municipal authorities.
- Regional council (*maakuntavaltuusto*) = the highest decision-making body of regions in the Finnish system of public administration; the members of a regional council are appointed by the municipalities (a regional council may sometimes be referred to as a county council).