

# **The Role of Ideas and Institutional Change in Finnish Public Sector Reform<sup>1</sup>**

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<sup>1</sup> Paper prepared for discussion at the annual meeting of RC19 in Montreal, Canada, August 20-22, 2009.

## **Abstract**

This paper explores institutional change and the role of ideas in Finnish public sector reform. The analysis extends from the late 1970s to 2007. The main purpose of the study is to explore the ideas advanced in favour of legislative reforms – what have been the objectives behind them and to what extent have the objectives and arguments changed. The paper explores the ideas that have impacted policy changes and asks whether the role of ideas differs for different policies within the public sector and between different time periods. In addition, the paper asks whether the different roles of ideas are associated with different processes of change. The paper includes an empirical analysis of the parliamentary policy documents produced during the legislative reforms. The analysis illustrates that there have been ideational changes behind the public sector reforms and that they have served as policy blueprints, ideological weapons and cognitive locks. Hence, the paper shows that ideas are an important locus of policy development and a major source of institutional change in public policy.

## **Introduction**

Over the past decades, many welfare states have entered a phase of rethinking, retrenchment and reconstruction. However, as the 'new politics' literature has emphasised, welfare programmes always have their own constituency of support, which makes it difficult to dismantle the welfare state. Much of the institutionalist literature has emphasised the punctuated equilibrium model which states that policy is characterised by long periods of stability periodically interrupted by some sort of exogenous shock which allows more or less radical change (Baumgartner & Jones 1993). On the other hand some scholars have offered more detailed analytical models to explore institutional change. These models suggest that rather than big changes in response to big shocks there might be incremental and 'creeping' changes with transformative results (Thelen 2004; Streeck & Thelen 2005). In addition, a growing number of scholars (Hall 1993; Beland 2007; Campbell 2002) have focused on the role of ideas in institutional change. The evidence of these studies suggests that a systematic analysis of ideational processes is necessary in order to get a full understanding of institutional change.

Seeking to contribute to the theoretical literature on institutional change and ideational processes, this paper examines the role of ideas in Finnish public sector reform. While Finland is a representative of the Nordic welfare model, the Finnish public sector and welfare schemes in general have developed rather late compared to other Nordic countries. It is widely known that public services in the Nordic countries encompass a larger service variety than those of other welfare states. Traditionally, the public sector has been the most important producer of health and social care services (Esping-Andersen 1990; Bambra 2005). Still, there have been justified demands for reform of the public sector also in these parts of Northern Europe. This has led to the adoption of market mechanisms such as competitive contracting for public services. Within the five Nordic countries, reforms of the different public sector areas have been implemented at different stages. Sweden, for example, has been a leading reformer in health care (e.g. Andersen et al. 2001).

In many European countries the reform of the public sector system began in the 1980s. In Finland, however, public sector reforms started later since different policies of the public sector have been on the political agenda permanently since the early 1990s. However, our analyses shows that 'the social construction of the need to reform' (Cox 2001, 475) was strong as early as the 1980s. As Kingdon (1995) has noted policies are often changed in major ways within relatively short 'windows of opportunity' during which conditions are temporarily ripe for increased attention and action. In Finland, the economic recession of the early 1990s and participation in European integration process in the mid 1990s created that window of opportunity to change the principles and ideas behind the welfare policy. The recession was worse than those experienced in other OECD countries at the same time: from 1990 to 1993, GDP declined by 13 per cent and unemployment rose to 18 per cent (Kiander 2005). In 1994 the Finnish economy started to recover from the recession. However, in spite of the recovery, the country was not the same as before the economic slump. Most importantly, old ideas regarding equality were incrementally changed to new ideas of productivity and competitiveness (Kananen 2008).

This paper shows that there are different types of institutional changes in the Finnish public sector reform. It also explores whether the role of ideas differs between different policies and in different institutional situations or frames within the public sector. The article is divided into five sections. The first focuses on the theoretical literature on the role of ideas in institutional change. The purpose of the study and data are presented in more detail in section two. Section three describes the core features of Finnish public sector reforms and examines the role of ideas and different processes of institutional change. Concluding remarks and the theoretical contributions are provided in the final section.

### **The role of ideas in institutional change**

In recent years, institutionalist policy analysts in particular have offered theoretical and empirical accounts of the importance of the ideational process in institutional change. This literature has provided fruitful insights that have substantially enhanced our understanding of ideas and their role in policy-making processes. (Béland, 2005; 2007; forthcoming; Béland and Hacker, 2004; Blyth, 1997; 2002; Campbell, 1998; 2002; Cox, 2004; Schmidt, 2002; Hall, 1993; Lieberman, 2002; Seeleib-Kaiser and Fleckenstein, 2007; Surel, 2000; Taylor-Gooby, 2005). According to Campbell (1998: 398) ideas 'provide specific solutions to policy problems, constrain the cognitive and normative range of solutions that policy makers are likely to consider, and constitute symbols and concepts that enable actors to construct frames with which to legitimize their policy proposals'. Among others, Campbell argues that different types of ideas have different effects at different stages of the policy-making process (see also Blyth, 2001; Béland, 2007).

Ideas can impact political decisions in three ways: they can serve as institutional blueprints, ideological weapons or cognitive locks (Blyth, 2001; 2002). First, as institutional blueprints ideas provide a model for reform by reducing uncertainty, giving content to interest and making institutional construction possible. Second, ideas can serve also as powerful ideological weapons that make it possible to challenge existing institutional arrangements. From this perspective, the struggle of

interpretation is crucial because actors can restructure existing institutional arrangements by defining the content, causes and solutions of the perceived societal problem. As has been pointed out, the crucial element of policy change is agenda-setting (John, 2006). Political actors must justify their choices and they must seek to frame alternatives in order to sell them to the public (Béland, 2005; Surel, 2000).

This is also exactly what Cox (2001: 475) labels 'the social construction of the need to reform': 'the advocates of reform need to employ strategies to overcome the scepticism of others and persuade them of the importance of reform... they must create discourse that changes the collective understanding of the welfare state, because doing so "shapes the path" necessary to enact reform'. In the ideational perspective frames are 'ideas as symbols and concepts that help policy makers to legitimize policy solutions to the public' (Campbell, 1998: 385). With regard to the policy programmes or prescriptions, frames enable political actors to legitimise their programmes. In the era of the new politics of the welfare state, this is particularly important because the nature of policy-making is more avoiding the blame than seeking credit (Weaver, 1986).

Third, when serving as cognitive locks ideas help to reproduce policies and existing institutions over time. This approach corresponds to that of the historical institutionalists who argue that once ideas have become institutionally embedded, policy-making becomes possible only in terms of these ideas. In that respect, this approach is also closely linked to the work of Peter Hall (1993) on policy paradigms and degrees of policy change.

### **The purpose of the study**

This paper seeks to analyse the role of ideas in the legislative reforms implemented in the Finnish public sector since the late 1970s. The first research question is: what kind of ideas have impacted on policy changes and whether the role of ideas varies by type of policy implemented within the public sector and by time period? Following Blyth's (2001; 2002) categorisation of the impact of ideas, the paper asks

in what kind of policies and institutional situations or frames have they served as policy blueprints, ideological weapons and cognitive locks? In what reforms is the role of ideas strong and in what reforms marginal or absent? Secondly, the paper focuses on a relationship between the role of ideas and different mechanisms of institutional change. Are the different roles of ideas associated with different processes of change?

Finland offers an interesting case to explore public sector reforms in particular. The reforms cover a rather long time period: it includes the era of the development of the welfare state in the 1970s and 1980s, the economic recession of the early 1990s, and the post-recession era of the late 1990s and early 2000s. In addition, the public sector reforms concern different types of policies and institutional changes. Therefore, they enable us to compare different policies and different types of changes within the same institutional framework.

There are also certain national characteristics which make the Finnish public sector reform an interesting case. One of the most important of them is that Finland is the most decentralised country in the European Union. Local authorities have far-reaching powers as well as not insignificant budgetary independence with the right to tax the income of their residents. In addition, the role of the local governments is crucial in welfare service production. The Finnish welfare state is mainly based on municipally provided services. Local governments provide primary and specialised health care as well as social and educational services. Finally, it should be pointed out that Finland is a large but thinly populated country, which means that most local governments have small populations. Consequently, there are considerable differences between local governments in terms of financial and demographic factors.

The paper examines the main legislative reforms of the Finnish public sector. Most of them are associated with the planning, steering and financial systems between the state and local authorities. They have also had implications for welfare service production. Some of the reforms have more directly concerned the competitive

contracting for public services, and they are thus included in the analysis. (For a summary of all public management reforms in Finland, see Pollit & Bouckaert 2004, 239-246.) On the basis of Campbell's (1998) typology of ideas, the article explores *ideas as programmes* which are policy prescriptions that help to chart a clear and specific course of policy action. They are often referred to in policy briefs and party and government programmes.

The article includes an empirical analysis of the parliamentary policy documents produced during the legislative reforms. The data includes reports from working groups, government proposals, reports and submissions of parliamentary committees as well as programmes for public services and government programmes. The total number of documents analysed is about 100 (for a detailed description of the data, see Niemelä 2008). The analysed policy documents offer a good basis on which to examine the ideas and ideational changes. Policy documents describe the challenges faced in a given situation and outline new solutions to the challenges at hand. Thus, in policy documents political actors attempt both to justify their choices and to construct frames in order to sell their alternatives to the public and to legitimise their policy proposals.

In policy documents, the arguments advanced in favour of legislative reforms highlight the juxtaposition between the shortcomings of the current system and the merits of the objectives pursued by the proposed system. This juxtaposition is expressed clearly by arguments describing the internal or content-related characteristics of the system. Arguments also address external causes. They may emphasise for example economic or structural changes in the operational environment, changes in public attitudes, examples from other countries, or international regulations. In such cases, arguments seek to emphasise that the current system no longer fits its external framework. Therefore, the data are analysed by means of a content analysis in which this juxtaposition between the current and the proposed systems serves as the framework of the analysis. This method enables us to explore the ideas that have motivated each legislative reform, and by comparing

these ideas in time and between different policies we can examine the changes in ideational processes.

### **Different roles of ideas and processes of change in Finnish public sector reform**

Literature on public sector reforms shows that there are many components and doctrines that characterise public management and administration reforms in general: greater emphasis on output controls, shift to disaggregation of public sector units, move to greater competition, and emphasis on private-sector styles of management practice. There are also many ways to move forward: decentralisation, separate provision and production interests or new governance/strategic management (see, e.g., Harrinvirta 2000; Peters 1997; Pollit & Bouckaert 2004). There is no single route followed by all countries because public sector reforms have developed in accordance with the varying national traditions. The beginning of the policy processes leading to Finnish public sector reform can be traced to the late 1970s. During the following decades there were several reforms concerning different sub-systems of the public sector. The main reforms of the Finnish public sector are presented in Table 1, which illustrates whether the role of ideas differs between different policies within the public sector and between different time periods as well as whether the role of ideas is associated with different processes of change.

[Table 1]

#### *Decentralisation as a blueprint: From the 1970s to the early 1990s*

Decentralisation played a central role in Finnish new public management reforms during the period between the late 1970s and early 1990s. The purpose of decentralisation was to grant greater decision-making authority from central government to local authorities. In the name of local self-government and democracy, the aim was to give more responsibility to local governments and to

strengthen their authority. The goal was to simplify the systems and make them more flexible and, in general, deregulate planning and steering. From an ideational perspective decentralisation acted as an institutional blueprint which provided political form to reform and helped political actors by limiting the policy alternatives they had to deal with. Hence, the widely supported idea of decentralisation reduced uncertainty and made institutional construction possible.

Different sub-systems of the public sector, i.e., the planning and steering functions shared between the central administration and local authorities as well as the state subsidy system, acted as instruments of decentralisation. Systematic reforms were begun during the 1970s. The Government launched a number of committees to develop local self-government and the steering, planning and financial systems in place between different levels of public administration. In the late 1970s one could not yet speak of a New Public Management doctrine, but rather of a policy of administrative reforms through which solutions were sought for 'the crisis of the welfare state' and problems of administration (Temmes 1998). As a result of the extensive committee work in the late 1970s, the so called Valtava-reform took place in 1984. It was an important starting point for the development of the Finnish public sector. The Valtava-reform concerned the planning and state subsidisation of the social welfare and public health services. The idea of decentralising the administration and simultaneously expanding the role of the private sector was carefully put forward as an answer to the problems of public administration. Indeed, it may be considered as the first law to refer to marketisation in public service production.

The process of decentralisation continued during the 1980s when the Parliamentary Committee on Decentralisation (PCD) published its report in 1986. PCD made some concrete proposals that led to rather large reorganisations in central government. The most important outcome of the committee's work was a breakthrough achieved in fostering new attitudes stressing the importance of a genuine customer service culture and of customer orientation (see also Kekkonen 1994, 26).

The following significant step towards a less centralised system was the Free Municipality Experiment (FME) which was started in 1989. It was based on earlier Nordic examples: FME was launched in Sweden already in 1984, in Denmark in 1985 and in Norway in 1986. The purpose of the FME was to reduce central government steering in the municipalities selected to participate in the experiment. This meant fewer restrictions regarding the organisation of the local administration, and consequently stronger local self-government (Thors 1994, 40). Regarding the dynamics of institutional change it is interesting to note that the experiment was used as an instrument of reform. Thus, the path of incremental changes was chosen intentionally. This path led to cumulative changes, which, in time, resulted in a clear system shift. In 1989, only 56 local governments were included in the FME, which was planned to last 4 years. However, the government decided to continue and expand the FME in 1993. Finally other legislative reforms during the early 1990s made it possible to make the temporary FME related regulations permanent.

#### *Financial crises and cost-efficiency as an ideological weapon*

A deep economic recession in the early 1990s and Finland's accession to the European Union in 1995 paved the way for intensifying the reforms started in the late 1980s. The conservative government in office between 1991 and 1995 had to implement reforms in a different economic climate than its predecessors. The focus shifted to issues related to productivity, result management and market orientation. Whereas the previous government had focused on the improvement of management skills, systems of control and the reform of particular sectors of government, the government of the early 1990s placed more of an emphasis on economic efficiency and increased productivity through decentralisation (see also Rothwell and Pollit 1997, 50-60).

The most essential public sector reform during the early 1990s was the State Subsidy Reform (SSR) of 1993. It was significant because one of the measures it included was the decentralisation of the central administration control system. In the new system, state subsidies are not even earmarked. The key features of the reform

were that it increased local self-government in service production, increased deregulation and improved efficiency. The goal was to simplify the systems and, in general, to deregulate steering and planning. This was, in theory, a 'big bang' in until then a quite socialised system. The new system made the cuts effected by national policy makers less transparent and transferred the responsibility for prioritisation from the national level to policy makers at the local level (see also Nordlund 2003, 77).

From an ideational perspective it is important to note that the idea behind the SSR was decentralisation and that it acted as an institutional blueprint. Yet the financial circumstances were dramatically changed: the reform was a result of committee work carried out in the late 1980s, and thus, it bore the imprint of ideas current in the preceding decade. However, the recession served as a window of opportunity for an ideational shift in which the principles of decentralisation and local self-government yielded to the principles of cost-efficiency and effectiveness. These new ideas served as ideological weapons that allowed policy-makers to challenge old ideas as well as to justify their political choices. Here the role of the recession was important because it was used as a means to legitimise the decisions. It enabled policy-makers to frame their choices and to strengthen 'the social construction of the need to reform'. Hence, the recession of the early 1990s served as a trigger for a change in the welfare culture, in which cost-efficiency and marketisation in its different forms were the new slogan (see also Harrinvirta 2000, 122-123, 130).

It is important to note that the above mentioned ideational shift did not happen *during* but right *after* the economic slump of the mid 1990s. For example, in the mid 1990s government made some minor changes which were billed as temporary to the principles of state subsidies in the spirit of cost-efficiency. However, in the new SSR of 1997 these temporary changes were made permanent. Notwithstanding the reforms implemented during the 1990s, work on reforming the state subsidy system still continues. The Ministry of the Interior set up a working group in 2007 to study the new SSR. The objective of the working group is to prepare a new reform of the state subsidy system to go into effect at the beginning of 2010.

Other important legislative reforms during the early 1990s were the Reform of Municipalities Act (RMA) of 1992 and the Local Government Act (LGA) of 1995. Also these reforms illustrate the ideational shift which took place during the mid 1990s. Both had to do with the tasks and responsibilities of the local authorities. The LGA contains rules concerning the management of local government, financial administration, and the rights of residents to participate in the running of local affairs and to appeal against unlawful decisions of the council and other municipal authorities (Thors 1994, 39). The new law freed the local governments to purchase services from private provider. On the one hand, the LGA represents the idea of decentralisation. The LGA replaced the Municipalities Act of 1976. There was a need for a wholesale updating of the law to take into account the new regulations which had come into effect after the Free Municipal Experiments, the State Subsidy Reforms and the other reforms carried out during the 1980s and early 1990s. The idea of decentralisation as a policy blueprint was therefore strongly emphasised. On the other hand, the arguments advanced in favour of the LGA drew a sharp distinction between the era of the development of the Nordic welfare state and the current situation. Hence, ideas were also used as weapons to make the case that because existing institutions are the result of past ideas, the development of public sector needs to be reformed in line with the new ideas of cost-efficiency and marketisation of public services. Thus, also these reforms illustrate the ideational shift which occurred during the mid 1990s.

#### *The case of no national ideas*

In the arguments advanced in favour of Local Government Act, especially, there were many references to the European regulations. The impact of the European integration was, however, more direct in the public procurement legislation enacted in 1994. The EC directive on the procurement of services of 18 June 1992 requires open tendering in the whole EU for public procurement above a certain amount. In addition, WTO's Agreement on Government Procurement (1994) regulates public procurements on a global level. Hence, the EU was an influential actor in issuing

directives for public procurement in the early 1990s with the specific purpose of increasing cross-country trade within Europe. These directives apply to both state and local government.

From the perspective of institutional change, the public procurement legislation appears as a layer on which a new element was attached to existing institutional structures. This new element has not fit into its institutional framework without problems. There have been difficulties in complying with the legislation in the Finnish context, where non-governmental organisations have traditionally had an important role in service production. From an ideational point of view, it is interesting that after the long period of decentralisation and deregulation, the public procurement legislation weakened local self-government and substantially increased regulation and bureaucracy in public administration. Regarding the role of international actors or epistemic communities, it should be noted that in this case it was not their influence that was agenda setting, but rather the 'hard method' of directives (see also Bryntse & Greve 2002).

*Paradigm shift towards productivity and competitiveness in public services*

During the latter part of the 1990s, the debate shifted towards change in local government structures. This debate differed from the earlier discourse of the 1980s and early 1990s in that democracy and local self-government were now almost entirely absent from the discussion. The aim was to encourage municipal mergers with an explicit view to create larger local government units that would be able to function efficiently and provide municipal services cost-effectively. This process began with the reform of the Municipal Allocation Act (MAA) in 1998. The aim of the reform was to strengthen financial incentives for municipal mergers. The impact of the incentives was, however, only modest. Hence, in order to improve productivity in public services and to strengthen the cooperation between local authorities, the government in 2002 launched the Regional Cooperation Experiment (RCE). However, the arguments advanced in favour of improved cooperation between local governments emphasised cooperation as an 'alternative method',

making the case that cooperation does not decrease the need to restructure local government and to carry out municipal mergers.

There were considerable differences between the arguments in favour of legislative reform. The arguments advanced in favour of the MAA emphasised cost-efficiency and highlighted the poor financial situation of local governments with small populations. Municipal mergers were seen as an instrument to improve the financial circumstances of municipalities. Thus, the arguments were in line with the idea put forward in the mid 1990s. However, the MAA failed to encourage local governments to take steps towards municipal mergers –only three occurred between 1998 to 2001. However, since the early 2000s there has been an increasing emphasis on productivity and competitiveness in economic and social policy (Kananen 2008). Hence, the arguments advanced in favour of the RCE focused on quality and productivity in public services. Municipal mergers and cooperation between local governments were justified using totally different language than four years before. The RCE, however, also failed to generate interest in municipal mergers among municipalities or to increase cooperation in public service production. The cooperation between local governments was more effective in local economic and labour market policies than in the production of welfare services.

Yet the RCE was not successful. There were clear signs that the public-sector reform paradigm was shifting towards the idea of productivity. An emphasis on quality and productivity in public services was in line with the general idea behind social policy at the beginning of the 2000s which emphasised productivity and competitiveness (Kananen 2008). An important factor explaining the paradigm shift towards productivity and competitiveness was the European Union's Lisbon agenda. In March 2000, EU leaders unveiled an ambitious agenda for modernising the European economy at the Lisbon summit. The ambition of the Lisbon strategy was to turn the EU into 'the most competitive and dynamic knowledge-based economy in the world'. This idea became embedded in the political discourse on economic policy and hence, came to serve as a cognitive lock behind the public sector reforms.

An emphasis on productivity in public economy featured prominently on the political agenda in 2003 when the Centre–Social Democratic government launched its programme. A ministerial working group was established in order to initiate the Basic Public Services Programme. The goal of the programme was 'to assess the need for structural changes' in order to improve effectiveness and productivity in local government. In addition, as a part of the programme, the Ministry of Finance published in cooperation with other Ministries and the Association of Finnish Local and Regional Authorities a plan of action to improve productivity in public services. The most important part of this was the launch of the so-called Paras-project – a project to restructure local government and services.

Started in the spring of 2005, the Paras-project is the most important public sector reform since the State Subsidy Reform of 1993. The objective of the project is two-fold: 1) to restructure local government and services financially and 2) to provide a structural basis for bigger local government units in the future. The first objective has been almost entirely forgotten. An inherent problem with the objective is the autonomy of local governments, which means that there is stickiness in the system. It is hard to make any radical and extensive changes to the municipally provided public service system because every local government has its own tradition for developing and reforming local services. However, the project is still going on and its future depends on how the new “bigger merged municipalities” restructure their local service systems.

While Finland has not followed the Swedish or Danish examples of forcing radical municipal mergers, the Paras-project has meant an abrupt institutional change regarding its second objective – to provide a structural basis for bigger local government units. Before the Paras-project only modest changes were made to local government structures. For example during the 1980s and 1990s there were only 12 municipal mergers and the number of municipalities decreased by 12 from a total of 460 local government units in 1980. By contrast, after the implementation of the Paras-project there have been 48 municipal mergers, decreasing the number of local government units by 84 during the period between 2006 and 2009.

From an ideational perspective, the general idea of Finnish economic policy – an emphasis on productivity and competitiveness – has served as a cognitive lock behind the public sector reforms carried out during the 2000s. Policy-making around public sector reform has become possible only in terms of these ideas. Furthermore, this paradigm shift seems to be, at least so far, more an ideational rather than an institutional phenomenon (see also Blyth 2001, 4). Subsequent to the paradigm shift, the central government has aspired to take a stronger role in areas which have traditionally been a responsibility of local governments.

## **Conclusions**

The Finnish public sector reform provides an interesting case to explore ideational and institutional changes. Systematic reforms began during the 1970s, and the following decade saw several legislative reforms. During the early 1990s public sector reforms were intensified, at which point Finland was one of the most active reformers among the OECD countries (Harrinvirta 2000: 150-151). From the late 1970s to the early 1990s the key idea behind public sector reform was decentralisation which acted as an institutional blueprint providing political model to reform. The idea of decentralisation led to cumulative incremental changes because the Finnish public sector was already decentralised before the reforms. Thus, there was no need for abrupt radical changes. However, a significant and persistent dilemma facing the Finnish welfare state and public sector reform was – and still is – finding a suitable balance between geographic equity and local autonomy (see also Kröger 1997). Interestingly enough, it is paradoxical that decentralisation of public sector services actually needs strong central steering to guarantee equity between different local governments and citizens.

The economic recession and participation in the European integration process in the first part of the 1990s created a window of opportunity for change in the ideas concerning the development of public sector. From an ideational perspective, an emphasis on decentralisation and local self-government yielded to the economic

ideas of cost-efficiency and effectiveness, which served as ideological weapons that challenged old ideas and justified new reforms. Analyses clearly demonstrate important contributions to the theoretical literature on institutional change and ideational processes. Contrary to what the punctuated equilibrium model suggests, exogenous shock did not lead to radical *institutional* changes because the legislative reforms of the early 1990s followed old ideas. The most important effect of the recession was *ideational* rather than institutional – the ideas behind policy-making changed faster than institutions. Hence, this paper shows that ideas are an important locus of policy development and highlights that in order to propose radical changes policy-makers must have time to change discourses and frames in order to sell new ideas to the public.

That having been said, the public procurement legislation did, in fact, represent institutional change in which a totally new element was attached to existing institutional structures without large-scale agenda setting or a struggle of interpretation in national policy-making. Here, the EU was an influential actor in issuing directives for public procurement. The EU had, however, a more powerful *ideational* impact at the beginning of the 2000s when the Lisbon agenda infused Finnish policy-making, emphasising the economic ideas of competitiveness and productivity. As a result, these ideas began to serve as a cognitive lock behind the public sector reforms of the 2000s. However, also here the paradigm shift has been more an ideational than an institutional phenomenon. A highly decentralised system and the strong autonomy of local government have created stickiness which has made it difficult to introduce radical public sector reforms.

Hence, it seems that there is no clear relationship between the different roles of ideas and processes of change. The welfare state tradition, local self-government and a large public sector are deeply institutionalised. As a result, different administrative reforms form the core of public sector reform – and not for example the marketisation of public services. (Harrinvirta 2000, 122 – 123, 130.) On the other hand, incrementalism has not blocked significant changes in the Finnish public

sector, as incremental processes have, over a longer period of time, snowballed into institutional changes (see also Christensen & Pallesen 2001, 195).

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Table 1. The role of ideas and processes of change in Finnish public sector reform.

<b>Main reforms of sub-systems</b>	<b>Idea</b>	<b>Role of idea</b>	<b>Process of change</b>
<i>1970s and 1980s:</i>			
<i>Decentralisation as a blueprint</i>			
Valtava-reform (1984); Parliamentary Committee on Decentralisation (1986); Free Municipality Experiment (1989)	Decentralisation	Blueprint	Cumulative incremental changes
<i>Early 1990s:</i>			
<i>Financial crisis and recession discourse as an ideological weapon</i>			
State Subsidy Reform (1993)	Decentralisation	Blueprint	Gradual transformation
Reform of Municipalities Act (1992); Local Government Act (1995)	Decentralisation	Blueprint	Cumulative incremental changes
State Subsidy Reform (1997)	Cost-efficiency	Ideological weapon	Cumulative incremental changes
<i>The case of no national ideas</i>			
Public Procurement Legislation (1994)	-	-	New element attached to existing institutions – layering
<i>End of the 1990s and early 2000s:</i>			
<i>Paradigm shift towards productivity and competitiveness in public services</i>			
Reform of Municipal Allocation Act (1998)	Cost-efficiency	Ideological weapon	No changes
Regional Cooperation Experiment (2002)	Productivity	Cognitive lock	Incremental changes
Paras-reform (2005)	Productivity	Cognitive lock	Gradual transformation