

The Boundaries of the Public Bureau: On mechanisms behind and effects of municipal market use.

Swedish text. English summary.

Swedish title: Förvaltningens gräns mot marknaden. Om mekanismer bakom och effekter av kommunernas marknadsutnyttjande.

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Abstract

This book looks at the strategies of local government in Sweden for producing and supplying service and welfare to users and the general population. Over the past 10 to 15 years, it has become increasingly common for local government to engage external suppliers to perform activities previously performed in-house. It is not only traditional subcontractor sectors such as infrastructure and construction where this has become the norm. There are now also clear indications of such an approach within other policy areas, such as education, care of the elderly and social work.

This thesis seeks to find explanations for local governments choosing between in-house production and outsourcing by applying a theory (transaction cost theory) that has made a major breakthrough in explaining how coordination of private production occurs. This thesis also examines whether or not the actions of local government follow rational desires in the sense that the choice leads to cost-effective implementation.

The empirical material, which includes total-sample data of all local governments, comprises statistics of local government use of external suppliers, as well as cost data.

The results show that economic explanations exist for the actions of local government regarding the choice between in-house production and use of external suppliers, as well as the choice of a means of organisation having particular significance for cost efficiency. Local governments that utilise in-house production to a greater extent than predicted show higher costs than those that follow the prediction or use external suppliers to a greater extent than predicted. Two conclusions are that external utilisation in itself is of significance for cost-efficiency and that the transaction costs associated with relying on external suppliers are not such that they have a decisive effect on the net calculation.

Keywords: Public sector, Local government, Public sector service provision, Outsourcing, Transaction, Transaction costs, Transaction cost economics, Misalignment, Performance, Efficiency, Theory of the firm, Statistical significance.