
Nordic municipalities and industrial megaprojects: Balancing growth and welfare

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ABSTRACT

This paper examines how different policy areas are coordinated in two Nordic municipalities affected by mining megaprojects. Drawing on institutional theories in public administration and governance, the article demonstrates how the emergence of new corporate interests sparks the formation of interactive governance networks which focus on business development and economic growth, and leave welfare departments out of strategic policy development. The article argues that the Nordic welfare model entails certain challenges for municipalities hosting industrial megaprojects. Local governments must therefore acknowledge welfare services as a local political tool instead of perceiving them merely as tasks mandated by the central government.

Keywords: *Local government, extractive resources, local development, Nordic welfare, interactive governance*

1. INTRODUCTION

Despite fluctuating oil and mineral prices, many communities in the Barents region are still pinning their hopes on extractive industry development. In recent years, researchers have shown growing interest in local challenges that follow natural resource extraction (see for example Wilson and Stammer 2016; Koivurova et al. 2015; Nygaard 2015; and Suopajarvi, Poelzer, et al. 2016). However, scholars have mainly focused on issues such as the rights of indigenous groups, local acceptance, and the environmental consequences of large-scale industrial projects. In contrast, there is much less information about how the municipal organizations affected by industrial megaprojects overcome the dilemmas they face when the local economy transforms. To date, even studies that aim to describe the social impacts of mining in this region have failed to acknowledge and incorporate, both theoretically and methodologically, the municipality's responsibilities as provider of welfare services as an important variable in the analysis of how local communities handle big industrial projects (Suopajarvi, Ejdemo, et al. 2016). The empirical goal of this paper is to address this scholarly neglect: it compares the various ways in which different departments in two Nordic municipal organizations are included in planning and policy formulation. The theoretical context for this discussion is a combination of two sets of literature: institutional analysis of public administration and models of local governance.

The research question in the following empirical analysis is: how do the extensive responsibilities of the Nordic welfare municipality affect the municipal development agenda when the municipality hosts an industrial megaproject?

Through a comparative “most similar system design” (Peters 2013), the article compares the coordination of different policy areas in Kvalsund municipality in Norway and Pajala municipality in Sweden as it stood at the time the data was collected (November 2014–January 2015). Although similar in most respects, the municipalities differ in their stage of implementation of the mining project. The mining project in Kvalsund was in a late development phase, whereas the mine in Pajala reached operational status in 2012. The different stages are important, as they can entail different challenges and thus explain the involvement of different municipal departments. Given the role of Nordic municipalities, one might expect that the development phase would be dominated by subsidiary departments responsible for zoning plans and business development, while welfare services such as schools, kindergartens, elderly care, and social services would be part of the strategic decision making when the mining project reached operational status. Further, one might expect that tensions and conflicts would emerge between the departments that were included and not

However, the empirical data does not support this explanation. Rather, the findings reveal that welfare is left out of the process when municipal organizations handle major industrial projects, both during the preparatory phase and during the operational phase. This neglect can make it harder to translate economic growth into broader social goals, and in particular into the goal that most of the interviewed municipal leaders in this study list as priority number one: population growth. Still, the scarce representation of welfare service leaders in decision-making groups dealing with the industrial megaproject does not seem to create significant conflicts between the different departments. This article explains the neglect of welfare services by pointing to two interlinked phenomena. First, industrial megaprojects spur the formation of interactive governance networks focusing on business development and economic growth. This may in itself downplay the importance of welfare services in development. Second, as welfare services are mandated by and subject to the control of national authorities, welfare provision becomes a standard procedure. Instead of exploring possible adaptations of the existing welfare services, or trying to innovate in order to ensure that the services are tailored to the expected newcomers, the welfare departments focus on implementation and cost efficiency. Such a managerial perspective further weakens the participation of welfare departments in strategic policy development. In sum, this gives politicians limited ability to bridge economic and social objectives when carving out their development agenda.

The rest of the paper proceeds as follows: first, the article describes some differences between the various functions of a Nordic municipality and presents four models of governance that serve as analytical tools guiding the analysis. Second, after a brief note on methods, the article analyses how the two municipalities overcome the challenges they encounter. Third, the article discusses two reasons for the organizational division observed. The conclusion raises the question of whether the Nordic welfare model may exacerbate the difficulties of bridging local economic and social objectives, and points to some future avenues for research.

2. MULTI-ORGANIZATIONS AND INSTITUTIONAL COMPROMISES

Nordic municipalities are complex and highly specialized organizations with broad discretionary authorities and extensive responsibilities (Rose and Ståhlberg 2005; Peters 2011). As they are responsible for the provision of most public services, the mu-

nicipalities account for a large share of public spending and employ more people than any other tier of government (Baldersheim and Rose 2011; Lidström 2011). However, municipalities are not only service providers. They are also a democratic body whose role and function includes societal development and, of course, the role as an integral part of the national administrative machinery (Bukve 2012; Lo 2015).

Montin (1990) coined the term *multi-organization* to address the multiple goals and subsequent increasing fragmentation of Nordic local governments. As the central governments assigned new responsibilities to the municipalities, the local public sector expanded rapidly during the 1970s and 1980s (Rose and Ståhlberg 2005). The burgeoning local state had to structure the different tasks and responsibilities in a way that ensured governability and transparency, which led to a growing local bureaucracy divided into specialized subsidiary departments. Nordic municipalities thus became increasingly complex organizations targeting a multiplicity of goals (Peters 2011).

This expansive role had certain unique qualities. The sheer size of the municipal organization made the municipality an important employer, especially in peripheral regions (Bjørnå and Aarsæther 2009). The size of the municipal organization also meant that it held a powerful position in most communities. However, the fragmentation caused by a continuous decentralization was also intrinsically linked to a silo mentality and ungovernability. Institutionalized differences, both in the organizational structure of local government and in the norms, values, practices, and beliefs may further constrain policy coordination. Two municipal roles that often involve contrasting institutional values are development and welfare services.

Development and welfare services are not mutually exclusive categories. Rather, the two policy areas interact and shape each other in myriad ways. A number of scholars have stressed that we should be cautious about perceiving the relationship between these two policy areas as a zero-sum game (Sellers 2002; Savitch and Kantor 2002; Bradford and Bramwell 2014). The quality of kindergartens and schools can be potent means in business development projects, as high-performing educational systems can attract skilled workers, and business development projects in turn can ease the fiscal constraints for new welfare initiatives. However, although the two policy areas impinge on one another, the task of thinking through their linkages and creating synergies can be a real puzzle. Three differences that may make joint performance in these policy areas difficult to achieve are described in the following.

First, locally elected politicians and public servants enjoy greater flexibility in relation to development than in relation to welfare service provision. Although municipalities play a key role in welfare provision, they are mainly implementers of national policy, as the central government mandates the provision of most public services. The municipalities are thus assigned responsibility for decisions made elsewhere (Baldersheim and Rose 2011, 289). By contrast, politicians and municipal administrators have greater leeway in the role as local community developers. Rather than being subject to national policymaking, community development calls for creativity and vision.

Second, welfare provision is mostly organized in-house in the municipal organization. Welfare services also connect closely to a party-dominated political agenda and a parliamentary chain of accountability (Ervik 2009), thus relying on a *political rationality* (Wollmann 2016, 378). On the other hand, local development policies are often formulated and implemented in collaboration with external stakeholders. Such stakeholders are typically single-purpose organizations like local businesses and civil society, which stimulate an *economic rationality*. Here, a more pragmatic and interactive form of governance prevails. The “out-of-house” way of policymaking is congruent with what scholars in the last two decades have called “collaborative governance” (Ansell and Gash, 2008), “interactive governance” (Torfing et al. 2012), “governance networks” (Klijn and Skelcher, 2007), or simply “governance” (in contrast to “government”). What these slightly different approaches have in common is their accentuation of collaboration between governmental and non-governmental actors in the making of public policies. Such collaboration may foster a more inclusive and participatory policymaking, but one that risks that the consolidation of political power among well-organized groups undermines the classical institutional separation between the public and the private sphere (Skelcher et al. 2011). Further, the inclusion of specific interests will also leave an imprint on the political objectives pursued.

Third, as a natural consequence of such differences, the institutional logics differ between the municipal welfare department and the agencies that work on business development. Whereas core rule-of-law values such as impartiality, formalization, and standardization have a strong standing in welfare provision, flexibility and output legitimacy dominate the economic development policy field (Peters, Pierre, and Røiseland 2014). Montin (1990, 258) points to how these differences can lead to rivalry and struggle:

Tensions and conflicts easily arise in the grey area between traditional and new institutions. However, these are not always visible to the actors themselves. Even if the norms look consistent and uncomplicated from the outside, they can cause conflict. (My translation).

The multi-organizational character of Nordic municipalities means that it is hard to predict how any one municipality will balance its various roles and functions. According to Pierre (2011, 1999), this balancing can lead to four different institutional compromises: managerial, corporatist, pro-growth, and welfare governance. These four models of local governance are analytical tools meant to describe how policy goals will influence the governance structures, which in turn reinforce policy priorities and preferred partners. As these are ideal models, Pierre (2011, 152) underlines that no municipality will display all of the characteristics of any single model of local governance. Different models of local governance can also coexist, as different segments of a local administration tend to adhere to different rationales. Such fragmentation can lead to a lack of inter-organizational coordination and to what Pierre (1993) calls “governance gaps”. If different segments of a local administration pursue different governance goals, the overall result may be disintegrated and ineffective. There is thus a strong conceptual link between Montin’s (1990) concept of the Nordic municipality as a multi-organization and the intra-organizational tensions described by Pierre (2011).

Managerial governance describes a governing style in which the managerial dimension of local politics has come to dominate at the expense of the democratic/participatory dimension (Pierre 2011, 33). An increasingly strong emphasis on efficiency and performance nurtures this form of governance, which gives non-elected professional managers a key role. Managerialism is therefore on the performance side of the participation/performance, or input/output, spectrum (Gustavsen, Røiseland, and Pierre 2014). Hence, it relates strongly to the principles guiding the wave of reforms known as New Public Management (NPM), in which politicians were to “steer, not row” (Pollitt and Bouckaert 2000; Peters 2011).

Corporatist governance carves out generous space for civil society in both public policy formulation and service delivery. Recent years have witnessed a renaissance of this model under such headings as co-creation, collaborative innovation, and co-production (Torfing, Sorensen, and Roiseland 2016; Voorberg, Bekkers, and Tummers 2015). However, the perils of associative democracy are linked to the inequalities in representation that this form of stakeholderism generates. The outspoken and well-educated will easily gain multiple forms of access, both as engaged citizens and as voters, often securing policy outcomes that benefit their interests.

Pro-growth governance has economic growth as its main objective. Although this may seem a self-evident and highly legitimate goal to pursue, the pro-growth governance model can have severe repercussions for the democratic process, as corporate

interests are prioritized in policy processes, often with direct access to high-level elected politicians (Lindblom 1977; Stone 1989). Such close relationships can reduce transparency and lead to a situation in which policy choices are dictated by economic interests.

Welfare governance describes a system in which the chief local policy objective is to cushion the impact of a declining economy by providing state-funded welfare services. Welfare governance will typically emerge where the private sector is limited and in decay. There is a plethora of examples of this kind of local governance from peripheral regions (Jones and Bachelor 1993). The welfare governance model will thus fit local communities in the High North characterized by declining and aging population, low private investments, and severe challenges in renewing the basis of the local economy. If attempts to renew the basis of the local economy continue to fail, local governments have little to offer but welfare services. The local political leadership therefore focuses more on mobilizing resources from the state than on generating local value creation and economic growth.

In summary, the Nordic welfare municipality's many and diverse tasks and functions contribute to a strong but also complex and potentially fragmented local public sector. The four models described above show different ways of balancing these tasks and functions. One may argue that such institutionalized governance models will yield predictable responses to hosting an industrial megaproject, as each municipality will react in accordance with its overarching policy objectives. However, based on the data collected, the article argues that this is not a foregone conclusion. The analysis of the data will follow after a brief note about methods, data collection, and the case municipalities.

3. METHODS, DATA COLLECTION, AND CASE MUNICIPALITIES

On a general level, this article investigates the intra-organizational coordination of different policy areas in two Nordic municipalities affected by industrial megaprojects. More specifically, the article examines whether and how different municipal departments are included in planning and strategic thinking related to the sudden change caused by massive investments in the local economy.

A comparative case study approach was chosen to gain deeper insights into how municipalities are impacted by industrial megaprojects. The two cases, which are both located in the Arctic region, were selected on the following four criteria: first, the

Nordic system of government, which accords wide responsibilities to municipalities, is a basic premise for this article. Second, because of the variety in legal and institutional frameworks among various extractive industries, a smaller subclass of municipalities affected by mineral extractive industries was selected. Third, the sample was further limited to municipalities hosting planned or newly started mining projects. Fourth, the chosen municipalities had to host mining projects at different stages of development, as this variable could explain the different levels of inclusion of welfare departments. On these criteria, the municipalities of Kvalsund in Norway and Pajala in Sweden were selected.

| VARIABLE | KVALSUND | PAJALA |
|-------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Number of residents 31 December 2016 | 1027 (Among the smallest 10% in the country) | 1027 (Among the smallest 10% in the country) |
| Demographic trend in recent decades | Depopulating | Depopulating |
| Geographical location | Far North Periphery | Far North Periphery |
| Traditional form of industry | Primary industries | Primary industries |
| Economic performance | Weak | Weak |
| Type of extractive industry | Mining | Mining |
| Institutional context | Nordic welfare | Nordic welfare |
| Phase of mining project in spring 2014 | Planned | Planned |

Table 1: Summary of similarities and differences between Kvalsund and Pajala. Population figures retrieved from Statistics Norway (2017) and Statistics Sweden (2017)

Norway and Sweden are by no means identical states, but when it comes to local governance, the differences do not impact the argument in this article (for an overview of Swedish and Norwegian local governance, see Bukve 2012 and Montin 2007). Here it may be useful to remind the reader that all comparisons are in one way or another constructed by the researcher herself (Peters 2013, 155). The similarity between the two cases is thus a result of the chosen theoretical and conceptual framework. Kvalsund and Pajala are both rural and remote, struggling with depopulation and weak economic performance. As Nordic municipalities, they both have vast responsibilities as providers of welfare services, and, not least, both have well-known metal ore resources and have been waiting for investors to turn their eyes northwards.

The overall similarity between the two cases makes them ideally suited for a most similar system design comparison (Peters 2013; Przeworski 1987). In essence, such a comparison presupposes similarity except for one key variable (see table 1). Given the research question about the coordination between different municipal departments, the key variable in this context is the variation in the stage of implementation. Whereas the mining project in Kvalsund is in a late developmental phase, the Kaunisvaara mine in Pajala commenced operation in 2012. Why is this difference important? Hosting an industrial megaproject entails a multitude of challenges, and there is reason to believe that municipal departments differ when it comes to how included they are in planning and problem solving. This will probably also affect the prevailing model of governance, as policy goals will influence the governance structures, which in turn will reinforce policy priorities and preferred partners.

The empirical data in this article is based on document analysis and semi-structured interviews with 25 political and administrative leaders between November 2014 and January 2015 (see table 2). The respondents were chosen from a predetermined list of representatives of various political and administrative roles and functions, including the mayor, chief administrative officer, opposition leader, head of education, head of local health services, head of planning, and financial controller. A mining company representative was also interviewed. The interviewees were asked questions about how a big industrial project affected local democracy, welfare services, and societal development. Although aided by a common interview guide, the interviews had an explorative form, focusing on challenges related to the field of responsibility of the interviewee.

Documents were retrieved from the Environmental Impact Assessment process, public

reports, and case documents prepared for local political bodies such as the local council. When analysing these documents, special attention was paid to the kind of problems the documents addressed and what kinds of strategies the documents suggested.

The interviews from Pajala must be approached with some caution; at the time they were conducted, the mine had recently declared bankruptcy. However, the interviews focused on the coordination of different policy areas in the years prior to and during the operation phase, and it is therefore not likely that the bankruptcy represents any substantial bias.

| MUNICIPALITY | WRITTEN DOCUMENTS | INTERVIEWS |
|--------------|-------------------|------------|
| Kvalsund | 11 | 12 |
| Pajala | 13 | 13 |

Table 2: Data material analysed

The initial reactions of the public servants to being asked for an interview are included in the data analysed for this paper. The data collection thus includes the responses prior to the interviews. Whereas business developers and staff from the planning departments were very used to talking about the mining project, administrative leaders responsible for welfare service provision hesitated. Some even denied that there were any links between the industrial megaproject and their jobs. Interviewees were also asked to name other useful informants, in a snowball sampling process (Zølner, Rasmussen, and Hansen 2007). The list of people suggested functioned as a map of the actors that were perceived to be important.

4. ANALYSIS – TWO INSTITUTIONAL COMPROMISES

4.1. Kvalsund: first the mine, then the people, and in the end the need for public services

Kvalsund is a municipality in the northernmost part of Norway. The area has witnessed a steady decline in the number of residents, now counting around 1000. Within the municipality, the public sector is the most important employer, and private enterprises generally do not provide significant numbers of jobs (Vareide and Nygaard 2014). The municipality thus fits perfectly into the welfare governance model described earlier. However, a big copper mining project is signalling the possibility of a new era, but it is not yet in operation as it is awaiting final approval.

The social element of the municipal master plan that was passed in 2013 states that the overarching goal for the coming ten years is to increase the population by almost 200 inhabitants (Kvalsund municipality 2013, 4). This rather ambitious goal, which runs counter to the prognosis made by Statistics Norway (Kvalsund municipality 2013, 5), is to be achieved through new industrial activity. The master plan therefore stresses the need to take a possible rapid change in population figures into consideration and prepare for increased demand for public services.

When municipal leaders were interviewed, those included in the work on the zoning plan, the top management, and the economic development section were up-to-date on the current developments. They also unanimously gave credit to the CEO of the mining company, describing him as a man with genuine concerns for the future of the Kvalsund community. Through years of informal meetings and conversations with the mining company executive, they had developed a deep understanding of the mining project. Although there was disagreement about the planned submarine tailings disposal, all of these interviewees stressed the need for jobs and business development.

In order to reap the benefits of the potential megaproject, the municipality had worked out a societal development project that targeted the extended effects of the mining operation. In addition to the mayor and the municipal head of economic development, the project's steering group consisted of representatives from neighbouring municipalities, the county, and the mining company. Their mandate was to set the goals for the project, make decisions, and oversee the project implementation. The project plan explicitly stated that helping the mining company was one of the main goals. Moreover, it listed several different ways of doing so, such as facilitating business start-ups for sub-vendors and establishing and co-financing business networks.

When interviewing the persons involved in the societal development project, concerns for social issues and how the municipal organization should prepare for a mining project generating well beyond 100 jobs were not high on the agenda. According to the top municipal management, it was almost impossible to start preparing for the potential transformation of the local community as long as the necessary licences were not in place.

Municipal leaders responsible for different welfare services shared this view. The general attitude was that it was too early to spend time and resources on problems that had not yet manifested. As one said: “we have no concrete plans for how the mining project will affect the welfare services and we do not need to either (...). We’d better jump-start planning the day the operations begin.” Any contact with the mining company was also deemed unnecessary as long as the mine had not yet materialized.

Another interviewee who also opted to await the course of development before staking out a course had experience from the neighbouring municipality of Hammerfest and the petroleum-related boom that had taken place during the building of a natural gas facility a few years previously. She warned against thinking that it would be easy to adjust to a new level of service provision. Instead, she said, the municipality could expect a sharp increase in the need for language skills and broad competencies befitting a more international work force. Thus, it would not only be a question of a quantitative increase in service demand, providing more of the same, but a qualitative shift, as new residents would demand different services than the municipality provides today. The interviewee feared that this would come as a shock to the municipal organization.

Likewise, the representative from the mining company underlined that the need for public services would skyrocket if the mine started operating:

Me: “Are there any municipal tasks and functions that no one talks about?”

Mining company representative:

(...) the parallel development of schools, health services, and leisure activities. Moreover, getting started with housing development. There will be a big influx, and everyone will need different services. It doesn’t seem like they’re preparing anything yet, as if they won’t touch it before they have to. (...). I can’t see a plan for the transition to the operation phase, no matter how you look at it. So I guess it’ll be a real shock when it comes.

In contrast to the mining company representative, senior politicians in the municipal council claimed that they had taken the parallel development of welfare services seriously. They referred to the municipal master plan and said they were ready to start preparing if the mining company received the final licences.

In summary, Kvalsund appeared as a municipality where uncertainty regarding the submarine tailings disposal had halted a broader perspective on societal development. Despite a municipal master plan, which clearly focused on both business development and welfare services, the key actors were preoccupied with securing the mining project. As one of the leaders responsible for welfare services explained, the plan was to solve problems relating to increased demand for public services when they emerged. As long as the mining project still awaited final approval, there was no need to rush into thorough preparations. The mining company representative warned against such an attitude. Still, despite a close collaboration with the political leadership, he had not been able to persuade the top municipal management about the need to expand the scope of the preparatory work to include welfare services.

4.2. Pajala and the swamp that was suddenly worth a fortune

Pajala is a municipality in northeastern Sweden, bordering Finland. Like Kvalsund, Pajala has experienced a dramatic depopulation during the last 60 years, from more than 15,000 inhabitants in the 1950s to less than 6300 in 2009 (Pajala utveckling 2011, 4). In 2012, the mining company Northland Resources started mineral extraction from a well-known iron ore deposit in the municipality. Heavy investments poured into the rural community, which led to a sense of optimism and hopes for a prosperous future. Unfortunately, the mining company declared bankruptcy in December 2014, after only two years of operation.

The pattern identified in Kvalsund was also identified in Pajala. When asked for key persons responsible for handling the impact of the mining megaproject, people referred to more or less the same representatives of roles and functions as in Kvalsund. In addition to the chief administrative officer and current and former mayors, the persons mentioned were employed in the technical department, planning department, and the like. When an interview was requested with a leader responsible for welfare services, she responded that she could not see that she had anything to do with the mining project.

In contrast, a business development company named Future Pajala was both visible and self-confident. Jointly owned by the municipality and local businesses, the company

served as a node between key officials in the municipality and external stakeholders such as corporate actors, the regional state institutions, and the EU. The business development company pursued a strategy in which the goal was to make Pajala visible and well-known among potential workers living outside Pajala. Future Pajala participated in expositions and promoted the potential for well-paid jobs in the mine. Boosting Pajala's reputation as an exception to an otherwise depopulating region was important; the message was that Pajala was a place with an optimistic view of the future.

The mine had an all-encompassing impact on local governance in Pajala. Quite understandably, the mine was on everyone's lips. Senior politicians and public officials devoted much of their time and work to mine-related issues, often in joint efforts with the business development company. If they were able to attract new businesses and new residents to the community, the mining project would represent a paradigm shift for the community, making the potential payoff immense. It is therefore not surprising that staff working directly with the mining project enjoyed privileged access to the mayor's office.

Several interviewees, and particularly the politicians among them, expressed enthusiasm about the most hectic years prior to and shortly after the mine opened. However, some of the leaders responsible for welfare services opposed what they called a one-dimensional approach to societal development. As one leader commented: “[W]e have almost neglected the municipality. An unbelievable focus on the mine has made us almost forget about our own organization.” Another key actor differentiated between what he called domestic and foreign affairs, the latter being the ambitious strategy of marketing Pajala nationally, even internationally. The hype was a good thing for many reasons, he said, but it left the municipal organization in a void. What he called “domestic affairs”, developing the municipal organization and ensuring the necessary flexibility in times of change, was overshadowed by the exogenous shock that the mine represented. Another public servant opposed the way prominent actors had excluded welfare services from the decision-making arenas: “I remember I once voiced my concern, saying that social services should be invited to the meetings in which the strategy is coordinated.”

Although some interviewees complained about lacking access to strategic decision-making arenas, they all felt confident that they would be included if the booming economy had a negative impact on social welfare. However, there were few examples of problematic situations. In contrast, the municipality experienced severe problems related to a lack of manpower, especially in the holiday season. According to one

local politician, the social service department witnessed a high personnel turnover when the mine started operating. People quit their low-paid jobs as skilled welfare workers and began working as drivers or the like, making a fortune compared to their previous public sector jobs. Temporary positions became almost impossible to fill, and pensioners had to return to work for the municipality to avoid having welfare services fail to meet needs.

To summarize, the picture in Pajala resembles that in Kvalsund. The business development company appeared to be the spearhead of societal development, pushing for positive PR, improved infrastructure, and continuous growth. Public servants responsible for welfare services felt left out, or, perhaps even more surprisingly, did not even regard themselves as important actors. The presumption that hosting a mining project that had reached operational status would lead to the inclusion of other municipal actors proved wrong. Instead, the same actors dominated the local scene, characterized by a close collaboration between private businesses and the political leadership.

4.3. Comparative analysis

Are the two municipalities in the northernmost part of Scandinavia examples of fragmented multi-organizations incapable of coordinating different segments of the municipal organization? In Kvalsund, the representatives from the welfare departments did not think there was any need for planning or preparations prior to the granting of the final start-up permissions. Instead, they expected an all-out effort once the project materialized. The mining company seemed dissatisfied with this approach, claiming that chaos would follow when the influx of people began. In contrast to the lack of involvement of welfare services in the planning process, those responsible for business development and land-use planning were very aware of the details of the mining project and had a repertoire of policy ideas.

Likewise, in Pajala the business development company leveraged private sector resources for public purposes. Together with corporate actors, the business development company set the agenda and together they were the visible agents for the municipal response to the megaproject. Welfare service leaders felt left out, and claimed that the municipal organization had suffered because of a strong focus on what they called “external relations”.

The response from the interviewees clearly suggested a fragmented public administration. Navigating the rapids of economic change, the municipal

organizations had prioritized land-use planning and establishing networks with both the corporate sector and regional and central government agencies. In contrast, employees working in welfare services were not part of the inner circles. Still, a disintegrated municipal organization is not by definition conflict-ridden and destructive. The data suggests that both Kvalsund and Pajala exemplify this: while some segments of the local bureaucracy were surprisingly unconnected to strategy development and policy formulation in the wake of the mining projects, conflicts and tensions were hard to discover. Some of the welfare service providers had voiced their disagreement, but in general it seemed that the leaders responsible for public services accepted their subordination: “This is how it is. We do not like it, but we do not disagree too loudly either”, seemed to be a common credo. As the municipal white papers listed population growth as priority number one, such a detached role for the welfare services was unforeseen. Based on the data, several explanations for why the welfare services played such a marginal role are valid. All of them are linked to Pierre’s analytical model (2011) and the connection between governance objectives and preferred partners.

First, the disconnect might be a consequence of necessary priorities. Land-use planning and business development are perhaps the most urgent issues to address when a big mining firm shows up on the doorstep of a sleepy town. The institutional capacity in municipalities that have been combating depopulation for decades will necessarily be limited. The municipal leadership must therefore engage in presumably difficult trade-offs when deciding what to prioritize. Further, declining communities seldom have top-notch planning departments or even updated area plans. Suddenly hosting an economic boom will therefore require an all-out effort just to be operational. At the same time, because of decades of depopulation, both municipalities had a buffer of available infrastructure like schools and nursing homes. Thus, the infrastructure needed to deliver welfare services would not be critical in the near future. Still, welfare services are more than physical infrastructure, and a coherent strategy for how to secure population growth must certainly include available welfare services. Nevertheless, what gets prioritized is deeply rooted in policy preferences. The important message here is that when these two municipalities suddenly hosted an industrial megaproject, new societal actors and interests emerged on the local political scene. In order to mobilize their resources and include them in problem solving and policy development, a new structural framework developed of public–private networks. However, the Nordic municipality’s role as provider of welfare services does not appear to have been high up on the networks’ agenda. This appears to be an example of what Pierre (2011) claims

is a mutually reinforcing dynamic between preferred partners, governance structures, and policy priorities.

Second, the difference between the role as provider of welfare services and the role as societal developer mirrors the difference between the responsibilities of the central government and the flexibility of local government. The creative leaders concentrate on the political issues where their agency and visions count, and leave the state-mandated welfare provision to other segments of the local bureaucracy. In other words, there are structural barriers that prevent a constructive inclusion of welfare service departments in societal development processes.

The autonomy of the local government is a core question in the Nordic welfare model: to what degree can local authorities exercise discretion in the provision of welfare services? As Hansen and Klausen (2002) show, the state has increasingly regulated local government service production in order to ensure standardization and universality. In the two case study municipalities, this tendency seems to have structured the local welfare provision departments as implementers of state policy. Rather than being a tool for creating a more attractive and viable community, local welfare provision is an inflexible and rigid system that operates at arm's length from local politicians. A consistent focus on budgetary control and efficiency in accordance with managerial governance values has further spurred this division between welfare provision and local agency. Accordingly, and in line with the analytical model, welfare services are hardly ever included in the governance structures that focus on strategic development, because the welfare providers themselves pay more attention to the directions from the central government.

Third, the analytical model described a close relationship between political objectives and preferred partners. Prior to the mining projects, the two municipalities fit the welfare governance archetype. The population was moving away or aging, the local tax base was deteriorating, and the local government fought to maintain the local community by the help of state-funded compensatory measures. Suddenly, however, something happened. New corporate actors entered the scene and changed the future prospects dramatically.

The booming economy, or in the case of Kvalsund, the anticipated booming economy, shifted local policy towards business interests. Leading politicians and allied public managers forged close alliances that turned a traditionally sceptical stance towards private capital upside down. In Kvalsund, the mining company representative was included in the steering group of a prestigious societal development project. In Pajala, the business

development company took a leading role in promoting potential value creation.

Both governance networks were headed by the respective mayors, strongly signalling the start of a new era. The new approaches were in line with a pro-growth model of local governance, as they gave non-elected actors substantial influence over policy choices and strategy developments. In general, local business organizations may signal a corporatist approach to local governance, and the corporative element is undoubtedly present in the two cases. However, in both cases the inclusion of non-elected actors was limited, instrumental, and pragmatic. Rather than an organized civil society mobilizing to steer development and secure a wide distribution of economic benefits, as one would expect in a corporatist model, the private cooperation in these cases was confined to a well-organized business sector. This is especially relevant in Pajala; Kvalsund has a more limited range of private stakeholders. However, the pro-growth governance objectives only applied to some municipal departments. On the whole, the welfare services did not participate in the decision-making networks. Both in Kvalsund and Pajala, interviewees spoke about a division between different segments of the municipal organization. However, this division did not breed conflicts. Rather, the welfare departments seemed to be satisfied with the division of labour; they appeared to see themselves primarily as implementers.

5. CONCLUSION

This article has shown that certain segments of the local bureaucracy are neglected in times of economic change. This is primarily not a conflict-ridden and forced exclusion, as the welfare departments more or less agree to step aside and leave the dominant political agenda to more pro-growth departments of the municipality. This pattern does not seem to depend on the operational status of the industrial megaproject. The data collected do not support the presumption that different stages of the projects would be dominated by different policy areas. Instead, the pattern identified in Kvalsund is analogous to the pattern found in Pajala: business development and technical infrastructure seem to dominate at the expense of welfare departments. This lopsided approach is further reinforced by who is included and not in the influential governance networks, as these preferred partners leave an imprint on the political objectives pursued.

The article has pointed to two interlinked phenomena that can explain this organizational division: 1) a change in the prevailing mode of local governance caused by the inclusion of certain non-elected actors, and 2) an effect of the difference in local flexibility

between development and welfare provision in policy implementation. Both are linked to Pierre's (2011) analytical model in which different institutional compromises give voice to specific policy objectives.

When two municipalities concentrate on business development and economic growth, we must allow for the possibility that this is the best way to overcome the challenges associated with hosting an industrial megaproject. However, there is a risk that by leaving welfare out of the societal development equation, the municipalities end up pursuing the interests of a narrowly defined constituency.

The result is what we can call governance gaps (Pierre 2011; Pierce 1993; Warren, Rosentraub, and Weschler 1992). Governance gaps refer to how a lack of intra-organizational coordination can be an important source of local government ungovernability (Pierre 1999, 390). When different segments of the local state pursue conflicting priorities and strategies, the overall governance may be inadequate. In these two cases, a vital part of the municipal organization is left out of the loop with little chance of contributing its expertise and local knowledge to the project development and implementation. Consequently, the linkages between the economic and social dimensions of the community's future are missed. This process also obscures alternative strategies for societal development, as Nordic welfare services function not only as relief for the underprivileged. Welfare services are relevant when targeting the primary priority for all interviewees and the documents analysed: population growth. Furthermore, including welfare service departments not only widens the scope of the development processes and mitigating measures, but will also enhance the competence and knowhow of the municipal response.

One of the questions that emerges from these findings is whether the Nordic welfare model may in fact exacerbate the difficulties of bridging local economic and social objectives during rapid growth. There is nevertheless little evidence to support such a radical claim. The Nordic welfare model has traditionally been regarded as particularly suited to embedding the economy in a larger context of societal goals. This is partly because the central government has traditionally entrusted local governments with responsibility for a wide range of tasks and functions. One can therefore assume that the potential for a broad approach to societal development is particularly well developed in Nordic municipalities. However, the findings in this study point to two unique challenges that Nordic municipalities face in times of rapid change. First, there has been a growing tendency for the state to regulate local government service production

in order to ensure universality. Yet standard solutions risk being poorly suited to local needs and problems, for example during a dramatic change in the local economy. Second, if local welfare provision ends up being a mere appendage to local democracy – a mandated role carried out in a managerial way but not coordinated and incorporated into a larger governing context – this may in fact undermine the governance capacity of local government. Further research should therefore be undertaken to investigate whether these unique challenges prevent coordination across different policy areas when hosting industrial megaprojects. In this context, future studies comparing Nordic and other Arctic countries could prove fruitful. All the same, the findings in this study are a reminder to politicians and councillors in the many Arctic communities still hoping for extractive industry development to be aware of possible governance gaps between different policy departments when handling the consequences of hosting an industrial megaproject.

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