

# REDEFINING LOCAL SELF-GOVERNMENT – FINNISH MUNICIPALITIES SEEKING THEIR ESSENCE

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## **Abstract**

Finnish municipalities have strived to manage an extensive number of statutory tasks with insufficient financial resources. Following the politics of bigger scales, local government reforms have been implemented to create stronger structures and greater efficiency. This has raised fears that local autonomy will fail in implementing the principles of locality and subsidiarity.

This chapter aims to discuss what is happening to local self-government in Finland in the context of recent reforms. We reflect on the municipalities' struggle with the concept of local self-governance and the contents of the European Charter of Local Government. The chapter builds on knowledge based on the previous literature and recent studies. Finnish local self-government has three main challenges: the overload of tasks, the scarcity of financial resources and the weakened trust between the state and the municipalities. Strengthening local autonomy and supporting municipalities' financial resources would require loosening regulation at the central government level, while at the local level municipalities need to seek their essence and reinvent themselves.

Key terms: local self-government, Finland, local government, reform

Key index terms: green

## **Introduction**

In Finland, the last decade has been an era of continuous local government reforms that have aimed at bigger scales, stronger structures and increasing efficiency. These objectives for more efficient public administration have been shared in many European countries (Bouckaert & Kuhlmann 2016). To answer the challenges of an aging population and growing costs, different solutions have been sought and discussed. The reforms have raised heavy criticism concerning the tightening of state steering, forgetting local actors and ignoring local autonomy (e.g. Stenvall et al. 2015; Jäntti 2016). Finnish municipalities have strived to manage an extensive number of statutory tasks with insufficient financial resources, which has been especially difficult in small, rural municipalities. The financial difficulties of municipalities have been used as drivers for the reforms. The previous reform preparations came to a dead end in March 2019 and forced Prime Minister Sipilä's government to resign one month before the next parliamentary election. The new government of PM Rinne continues preparing the reform, mostly with the same principles. The idea is to transfer social and healthcare services from the municipalities to 18 counties, which means that Finland would move to a system of two sub-national levels of self-government. This affects local self-government at both the municipal and regional levels. Consequently, fears have emerged that local autonomy will become artificial and fail in implementing the principles of locality and subsidiarity. Municipalities – big or small – need to rethink their role, tasks and essence, their *raison d'être* (Jäntti 2016), which makes Finland an interesting case.

This chapter aims to discuss what is happening to local self-government in Finland in the reform context. We start with the concept of local self-government and the idea of the European Charter of Local Self-Government, following Pratchett's (2004) trichotomy of local autonomy. Then we focus on the municipalities' point of view, reflecting on their current struggle and need to redefine themselves. The current chapter builds on knowledge based on the previous literature and recent studies. We conclude the article by identifying future outlooks for changing local self-government in multi-level governance.

## **Local self-government conceptually and in the European Charter of Local Self-Government**

The concept of local self-government has multiple definitions, but it can generally be defined as freedom and discretion in decision-making, service production and local management (e.g. Haveri,

Stenvall & Majoinen 2011). Self-government is structural and administrative (Torfing 2007), yet built and sustained culturally and socially in local interactions and practices (Pratchett 2004; Harisalo 2011) that emphasise locality and participation (Ryynänen 2015). Local self-government refers to citizens' right to participate in local decision-making (e.g. Goldsmith 1995), which in Finland is written into the Constitution (731/1999). Financial autonomy is an essential part of local self-government. Without true opportunities to influence finances, local self-government would remain meaningless (e.g. Harisalo 2011).

Fleurke and Willemse (2006) have described three dimensions of local self-government: how local authorities can determine their own agenda, how central government and other authorities give freedom to local organisations, and how local governments are dependent on other authorities in decision-making. In addition, local autonomy contains a social aspect that emphasises the municipality as a community (Vakkala & Leinonen 2016). This viewpoint combines autonomy with identity, describing a dynamic, bottom-up phenomenon in a wider social and democratic context in the community (e.g. Harisalo 2011; Pratchett 2004). The concepts of autonomy and self-government are mostly used concurrently and combined with similar phenomena in the recent research, which is what we chose to follow.

Pratchett (2004) sees local democracy as the primary fundamental component for local autonomy, offering the institutions a mandate for local autonomy. Pratchett (2004, 363) defines local autonomy as “*freedom from higher authorities, as freedom to achieve particular outcomes and as the reflection of local identity.*”

The European Charter of Local Self-Government also highlights the idea of local authorities as independent actors, not as the agents of national authorities (Explanatory Report, 1985). In the Charter (§3), “*the right and the ability of local authorities*” consists of the autonomy, authority and capability of local government with references to the relationship between the central and local levels (Ryynänen & Uoti 2013) and the means for functioning (Jones & Stewart 1983; Pratchett 2004). The ability to function effectively requires adequate resources and autonomy to make local choices. The right to regulate and manage public affairs is restricted “*within the limits of the law,*” yet local government works “*under their own responsibility.*” Local government is not disconnected from central government, nor is it merely an agent of central government, but together they form the whole of government (also Lidström 2003; Stoker 1991). Local self-government is meant to guarantee a certain degree of discretion, and by doing so, local authorities not only have the right but the responsibility of local decision-making. Ultimately, it is a question of whether the local government

can influence important affairs and experience the effects of its own actions (comp. Wolman & Goldsmith 1990).

Local authority “*in the interests of the local population*” works for the good of the local community (see also Haveri & Anttiroiko 2009; Sinervo, Meklin & Vakkuri 2015; Jäntti 2016). This notion refers to the awareness of the will of the local community, connected to citizen participation in local decision-making. Thus, local self-government is closely linked to local democracy, or as Pratchett (2004) puts it, these two are rarely distinguished from each other, even though a separation of these two concepts is needed.

To sum up, local self-government can be described as the right of the local community to decide on its own affairs to a certain degree (Ryynänen 2007). The partial autonomy, however, will leave space for tensions between the levels of government (Pratchett 2004). The intention of local self-government is to guarantee that local authorities:

- 1) are responsible for and able to carry out a broad range of public affairs,
- 2) have the right to do so under their own responsibility, and
- 3) manage the affairs according to the interests of the local community.

### **The main features and history of local self-government in Finland**

The Finnish local government system dates back to 1865, when the first law concerning local self-government (Local Government Act 4/1865) in Finland was enacted and the secular matters were transferred from the church to the local government (e.g. Haveri & Anttiroiko 2009, 192). This one-tier local government system posed municipalities as local self-governmental organisations. Since then, the guiding principles for local self-government have been independence from the state and local democracy (Aaltonen 1934, 228–229). The principles are similar to the European Charter of Local Self-Government (66/1991).

At the end of the 19<sup>th</sup> century, municipalities in Finland were afforded extensive self-government. From the very beginning, Finnish municipalities have had the right to levy taxes (Johanson & Tattari 1984, 512; Jones & Stewart 1983). The principles of locality and freedom characterised the first decades (1865–1916), but gradually the municipalities’ position shifted closer to that of the state (Jäntti 2016). Between 1917 and the 1940s, municipal responsibilities and tasks increased, and state control and steering strengthened, all of which weakened local self-government (Kröger 1997; Rönkkö 2007; Johanson & Tattari 1984).

In the post-war rebuilding era (e.g. Page 1991), the number of obligatory and voluntary municipal tasks continued to increase, and the local government as a public service provider began to take over across the Nordic countries, including Finland (Mennola 1992). The increasing number of tasks meant an increase in state steering and supervision and, thus, restrictions for local self-government. The existence of local government was based on the role of municipalities as local executors of state-level visions (Möttönen 2011, 67).

In the early 1990s, Finland faced a severe recession. The central government reduced obligatory tasks, regulation and supervision over local government, which seemed to increase local self-government. However, due to the declining economy, the resources of local government decreased, affecting local leeway (Jäntti 2016, 89). After this period of decentralisation and deregulation (Julkunen 2001, 117–120; Möttönen 2011, 69), the first decades of the new millennium have been characterised by reforms, recentralisation, and reregulation (Jäntti 2016). Reinforced obligatory tasks and detailed regulation weakened local self-government by reducing the opportunities for local choices. Due to the overload of tasks, increased regulation and state-led reforms, local self-government in Finland seems to be in crisis (Haveri, Stenvall & Majoinen 2011; Haveri 2015).

Currently, Finland has been preparing the largest local self-government reform in its history. A massive reform of regional government and social and healthcare services has been prepared by the governments of Sipilä (2015–2019) and Rinne (2019–). As mentioned earlier, the aim of the reform is to transfer social and healthcare services from the municipalities to 18 counties. The counties may also have other tasks and would have regional self-government. Thus, Finland would shift to a two-tiered local self-government system. This would bring the Finnish local self-government system closer to that of most European countries, in which two or more sub-national, self-governmental levels are in charge of public tasks (Sandberg 2016).

### **The current challenges of local self-government**

In comparative local government research, Finland is usually defined as a Nordic country due to the similarities in the responsibilities of local government: local authorities are largely responsible for public services and forming a grand proportion of public expenditure (e.g. Page & Goldsmith 1987; Lidström 1998; Rose & Ståhlberg 2005; Loughlin, Hendriks & Lidström 2011). One prominent feature in the Nordic welfare model is the tension between local self-government and regional equality in service provisions. Municipalities are the primary organisers of public services with the right to levy taxes and legal and constitutional protection. The degree of autonomy is high (Bouckaert

& Kuhlmann 2016, 12–13), but the principles of equality and accessibility in welfare services are also fundamental values (Kröger 2011). Kröger (2011, 149) calls this “*the paradox of the Nordic model,*” meaning that local freedom is emphasised but regional harmonisation and central regulation are also required for ensuring equality. Consequently, municipalities in Finland are under strong state-steering. This is especially the case in highly regulated social and healthcare services (Oikarinen et al. 2018). Local self-government has constitutional protection, but the municipalities are highly dependent on the state (e.g. Haveri & Majoinen 2017), and their actual opportunities to implement local self-government are restricted (Haveri 2015; Jäntti 2016).

Thus, both the *freedom from* and *freedom to* aspects of Pratchett’s (2004) trichotomy of local self-government include constitutional and legal responsibilities and restrictions. The level of local autonomy is rather low in general; in voluntary services, local authorities have more freedom in making local choices *reflecting local identity*. Vast, normative responsibilities also have financial implications that affect local self-government. However, the overload of municipal tasks has not resulted in the level of financial resources received from the central government (e.g. Torres, Pereira & Van Overmeire 2017), resulting in a structural imbalance between service responsibilities and financial resources (e.g. Matikainen 2017; Oikarinen et al. 2018). This has forced municipalities to raise tax rates and increase their level of borrowing. Service cuts have hit hard on the voluntary services, to the point that some municipalities may no longer offer any voluntary services despite the local need. Additionally, smaller rural municipalities struggle to organise and finance regulatory services.

Typically, the Nordic model, which is described more in Chapter 5, is founded on local freedom. However, for municipalities the paradox of the model (Kröger 2011) has meant strong supervision by central government, restricting *freedom from* it and leaving little space for *freedom to*. As a result, this tension leads to problems in *reflecting local identity* as well.

During the last decade in Finland, every government has launched its own local government reform. Reforms have forced municipalities to implement mergers and enhance inter-municipal co-operation. They also have affected the relationship between the state and the municipalities, and questioned the idea of local self-government. As Stenvall, Vakkala and Sandberg (2018, 60) put it, the definition of local self-government has become more unclear, and municipalities are uncertain of how to perform it. Currently, Finnish municipalities are waiting to see how the next reform is implemented and what it will mean to local (self-)government. Municipalities must create ways to function in the upcoming situation and prove their significance.

Reflecting on the situation in the light of Pratchett's (2004) trichotomy, it can be said that Finnish local self-government is legally and constitutionally protected, which gives strength to the *freedom from* aspect. However, the situation is multidimensional, and from the municipalities' viewpoint, the problem is that local autonomy has been left aside and local and regional features have been forgotten when trying to push one model throughout the country (e.g. Jäntti 2016). These reforms have left municipalities with only narrow possibilities to influence their future – but on the other hand, without social and healthcare service responsibilities, municipalities will no longer be so strictly steered by the state.

Closely connected to this is the *freedom to* aspect, which refers to the means required for putting local self-government into practice. In particular, the various financial constraints threaten the ability of Finnish local governments to actualise self-government. If the reform was actualised, municipalities' freedom to decide local service issues would become limited and new boundaries would be created, although this might also enable local authorities to focus more on issues that are under their discretion (Jäntti 2016).

Managing the overload of tasks and securing services are issues connected to Pratchett's (2004) third aspect: *reflection of identity*. During the previous reforms, identity crisis or at least identity discussions were faced in many municipalities, especially in the context of amalgamations (f.e. Stenvall et al. 2015). However, transferring social and healthcare services to the regions might offer municipalities more resources to focus on local issues and thus reflect the identity of the local community (Jäntti 2016). Municipalities could – at least ideally – aim their focus more on local residents and their well-being, living environment or local business development. In this sense, the scope of local self-government would narrow, but it also offers possibilities to strengthen local identity, community, reputation and growth.

Because of the tight relationship and strong power relations between the state and the municipalities, local self-governance can be in conflict with national institutions (Pratchett 2004). Along with the changes at the local level, it would be highly beneficial if the role of the central government towards the local level was reconsidered and reformed as well (see e.g. Harisalo 2011). National discussions on the definition and constraints of local self-government would be a good start. These would strengthen the ideas and principles of local self-government if municipalities were no longer seen, valued and evaluated not only as service providers but more as local actors, aiming at creating good living conditions for and with the local community.

## Conclusions

In this chapter, we have described Finnish municipalities' struggle in terms of finances, reforms, task responsibilities and actualising local autonomy. We used Pratchett's (2004) trichotomy to analyse the current challenges of local autonomy in Finland. Conclusively, Finnish local self-government has three main challenges. First, the welfare-based role of local government as a service provider creates normative and practical limitations to local self-government. This creates tensions especially in Pratchett's *freedom from* aspect. There is a structural imbalance of finances and service responsibilities, and the fundamental idea of local government has been buried under the overload of tasks (Haveri 2015; Jäntti 2016).

Secondly, the financial circumstances of municipalities constrain local self-government; municipalities are left only few opportunities for local *freedom to*. Municipalities might have broad self-government, but in practice, it is limited by the scarcity of financial resources. The structural imbalance, in addition to the heavy burden of service obligations, restricts local autonomy and leaves less room for local planning and decisions. Thus, resources need to be allocated for the obligatory service responsibilities – and in some cases they are insufficient even for those.

Thirdly, the recent and current administrative reforms led by the central government have influenced local governance. The reform politics have been unpredictable, weakening the mutual trust between the state and the municipalities. The traditional, ruling role of the central government has been questioned at the local level, and a more deliberative approach has been demanded. Strengthening local self-governance would require loosening regulations and supporting the municipalities' financial resources. The current reform would offer opportunities for evaluating the roles of both the local and central governments and their relationship.

The current reform process still has many uncertainties, and it is unsure whether it will take place at all. If the planned reform is implemented, local government faces a radical change in its tasks and role. This change forces municipalities to reinvent themselves. This reinvention process has already begun. Thus, the planned reform has already affected local government and challenged the way local government is considered. In any case, sooner or later, Finnish local government needs to seek its essence, to reinvent itself.

In order to deepen the understanding of changing local self-government and its new directions, more empirical research is needed. In addition, there is a need for comparative research focusing on the



various interpretations concerning local self-government and the essence of local government in diverse cultural and politico-administrative contexts.

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