

# Municipalities' Capacity to Prepare

A Mixed Method Approach to How Social Investments are  
Influenced by the Municipalities' Characteristics

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# Abstract

Social investment is a concept that often refers to interventions with at-risk target populations in order to “prepare” these individuals, rather than “repair” them once the risk factors has become problems. An increasing number of Swedish municipalities work with social investments, and the purpose of this research is to determine if certain characteristics of the municipalities affect this work. The characteristics tested in the analysis are the municipalities’ financial situation, organizational size, political ability to act and political cooperation. These characteristics were chosen based on an internal determinant approach from the field of policy innovation and background interviews. Mixed methods are used, and these are mainly regression analysis and semi-structured interviews with two associations and in total ten municipalities. The conclusion is that the organizational size of the municipalities is the characteristic that matters the most for work with social investments. Large municipalities work with social investments more often than small ones, and they are better prepared to handle the tasks involved in the concept. This also makes large municipalities more ambitious in their work with social investments, since they more often have the required capacity to work with more advanced methods.

*Key words:* social investment, characteristics, municipalities, policy innovation, functionality

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# 1 Introduction

Social investments, a concept consisting both of financial and social components, have garnered increased interest in Swedish municipalities (Hermansson and Kastberg, 2016, p. 9). The thought is simple: early and targeted interventions for at-risk groups before problems arise could eliminate the need for costly interventions when the problems otherwise occur. Since it is supposed to cost more to intervene in an individual's life once the person has ended up with problems, this is a social investment (Nilsson and Wadeskog, 2013, p. 3).

To make social investments, initiatives need to be taken though. In general, municipalities have been accused of initiating too few projects with inventive ways to work and with a focus on long-term outcomes to address social issues (Hultkrantz, 2014, p. 226). Social investments are one opportunity to work in this way, but it is almost always associated with risk. The associated risk is because it is hard to tell what would have happened with these individuals without the interventions, and hence if there was an urgent need for interventions, as well as to know if the efforts will have the sought after effect (Hultkrantz, 2014, p. 228 and Länsstyrelsen Västra Götalands Län, 2012:01, p. 5-6). These are important issues, not the least because it is the taxpayers' money that funds these projects.

In order to enhance initiatives, some of the municipalities have created funds appropriated for social investments. In 2014, 53 municipalities had some form of Social Investment Fund<sup>1</sup>, meaning that an amount of money becomes earmarked or allocated in the budget for social investment projects. The projects can have different focuses, but they should do something out of the "business as usual" activities of the municipalities; this is the opportunity for ideas that do not fit within the bounds of the ordinary budget to flow.

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<sup>1</sup> Own calculations based on survey by Balkfors (2015)

## 1.1 Motivation

This research is concerned with municipalities that make social investments. In order to grasp a deeper picture of components that work with social investments contains, this study considers it to have two levels: the first level is to simply work with activities the municipality classifies as social investments, and the second level is to also have a Social Investment Fund for them. The aim of the study is to search for a pattern in what characterizes the municipalities that have chosen to work with these levels of social investments. The motivation for the research is partially based on background interviews to find out how work with social investments might influence municipalities at large.

It is important to engage in contemporary research when the public sector is changing rapidly, with trends and withdraws. Local work with social investments is a rather fresh topic, and although this might make the results less certain the knowledge is valuable (King et al., 1994, p. 6). From a societal point of view, more knowledge in the area of development work in different municipality contexts is important to gather, if it turns out that certain types of municipalities have struggles that would need special support to facilitate long-term development. From a political science point of view, knowledge on the effects from different characteristics of governmental units are important to understand. By mapping these, an understanding can be reached on how mechanisms affecting public organizations work, and by this get insight in how changes in the characteristics can cause unintended changes both within the organization and in society as a whole.

To work with social investments have an intrinsic value, since it aims at “preparing” rather than “repairing” individuals of society (Morel, Palier and Palme, 2012, p. 1) which means that the individual does not need to have problems before they can get help, and instead avoid to get problems. Despite this, the method development required to work in this way has in the past not been a prioritized activity for municipalities (Jonsson and Jannesson, 2014, p. 2). To work proactively, and to look at the common interests of the municipality, rather than the administrations own interest is becoming increasingly important. This is a focus that has been confirmed by several municipality officials and representatives of associations that have been contacted for background interviews for this study.

Anders Norrlid, head of office at the Council for Local Government Analysis (RKA) is of the opinion that the municipalities are not always very good in specifying what results they are aiming at accomplishing, but to think proactively, for example, can be a step towards clarifying that. (Anders Norrlid, interview April 8<sup>th</sup> 2016).

That [the municipality] view its mission in a different way, I think that that is a central challenge, I mean to get completely aware of what the mission is and who the stakeholders are, and what exactly we are expected to deliver.

(Anders Norrlid, RKA, interview April 8th 2016)

One opportunity to enhance the work with social investments is through creating Social Investments Funds (Jonsson and Jannesson, 2014, p. 2). The purposes of Swedish Social Investment Funds vary between municipalities, but the general idea is that there is a pot of money for projects or programs that have a social investment character. That social investments are a good form for this to be realized is also confirmed for different reasons. Tomas Bokström is project leader and advisor at the Swedish Association of Local Authorities and Regions (SALAR) and works with overseeing the social investments of municipalities and counties/regions. According to him, to have a fund for the municipalities social investments has two advantages: it enhances development that is otherwise hard to get to due to limited resources, and it makes the aim of the social investments more strategic than if the funding comes from an external funder.

We think that purely symbolically it is important that the organization has a common pot of money for development (...) if [the municipality] have a Social Investment Fund, the opportunity is greater to actually base [the interventions] on the needs that [the municipality] together [internally] have concluded that they have, and to direct the focus to those need areas, and lift interventions that can respond to them.

(Tomas Bokström, SALAR, interview March 24<sup>th</sup> 2016)

The first part of the quotation illustrates the importance of having a fund to direct the mind-set of the management towards development of the organization and its methods. The second part of the quotation is concerned with directing the interventions to the interests of the municipality, rather than the interests of enthusiasts in the municipality, which is the risk with external funding (Tomas Bokström, interview March 24<sup>th</sup> 2016).

The concept social investments contains a lot of potential, and that is also why it is important to research if there are inherent factors in some municipalities that can act as barriers and facilitators for this work. In this research, characteristics that makes municipalities differ in a concrete, objective manner will be assessed in relation to the municipalities' work with social investments. If there are barriers inherent in the characteristics of some municipalities, those barriers need to be addressed. It should be mentioned that not all municipalities who are committed to social investment have a fund; they could just as well have another system to support social investments that works just as well. Due to the symbolic value of having a Social Investment Funds though, municipalities that have chosen to create their own funds, could be considered to have proven a considerable commitment to enhance the work with social investments.

What is at stake, concerning both working with social investment and having a Social Investment Fund, is that without these an innovative spirit within the municipalities might not get the kind of foundation it needs to prosper. At worst, this could lead to stagnation of development, and municipalities that are not effectively responding to the challenges the modern society is facing, especially not at the most efficient time viewed from both a social and a financial perspective.

## 1.2 Research Questions

**What are the most significant characteristics of municipalities that determine the municipalities' work with social investments, and how do they influence the initiation of, reason for and functionality of the local work with social investments?**

In order to answer these questions, the mixed methods approach is crucial since the methods contribute in different ways to the study. The opening of the research is to investigate what characterises municipalities that have even initiated work with social investments and the related fund to begin with. Once this is established through quantitative method, the study will use qualitative method to go deeper into how these characteristics influence the initiation of the policies, the reason to make social investment and how well the work with them function. The mixed method will hence increase both the validity and generalizability of the research.

There are four characteristics that are considered theoretically interesting, and therefore will be explored: financial situation, organizational size, political ability to act and political cooperation. The reason the mentioned parts of municipalities' work with social investments (initiation, reason for and functionality) are of such interest is that they represent parts that could differ independently, but that also could be connected to one other. This creates a second dimension to the research, where the characteristics tested are the first dimension, and how the effects relate to each other is the second dimension.

## 1.3 Definitions

*Social investments* = According to Mejman, social investments are characterized by the following: 1) to encourage early action, 2) to counteract negative development for individuals and groups, 3) to think long-term, 4) to evaluate projects, 5) promote cooperation between departments and/or

organizations and 6) to develop and try new methods, as well as develop ordinary methods (Mejman, 2014, p. 7-8). One way to encounter for the “investment”-part of the concept is that social investments are projects that are expected to give social returns in the long run, which can lead to increased tax revenue and/or decreased costs for different parts of the public sector, such as health care, social insurance, adult education, rehabilitation etc. (Jonsson and Jannesson, 2014, p. 4, Hultkrantz, 2015a, p. 7, Hultkrantz, 2015b, p. 10).

*Social Investment Fund* = Social Investment Funds in Sweden are financial resources that are earmarked or allocated in the budget for projects with a social investment character (see “social investments”).

*Social return* = social returns, here equalized to Social Return On Investment (SROI), means broader socio-economic outcomes than purely monetary (Banke-Thomas et al., 2015, p. 1). An outcome in the form of a healthy and self-providing population is an example of a social return.

*Project* = a project is a mission that is carried out during a limited period of time. In the context of social investment, a project usually involves several interventions (Mejman, 2014, p. 9).

*Interventions* = activities with certain intended outcomes, with a well-defined content, target population and calculated costs (Mejman, 2014, p. 9).

*Policy innovation* = adoption of a policy that is new to the government that is adopting it. By “new” is meant that it is not an incremental change (marginal modification) of an already-existing policy in that government (Berry and Berry, 2014, p. 307).

*Characteristics* = in this research, characteristics is a term used for the general attributes describing organizational conditions.

## 2 Background

Both of the concepts social investments and Social Investment Funds are somewhat hard to conceptualize, since they mean different things for different users. For this reason, the concept social investments will first be presented, and then Social Investment Funds in Sweden.

### 2.1 The Concept: Social Investments

The way the term social investment is used internationally, it is a perspective several modern states have adopted. Some even claim it is a new paradigm of welfare states, focused on refining their goals and instruments toward more proactive work (Morel, Palier and Palme, 2012, p. 1). However, some consider it more of a trend than a paradigm.

One important difference between Sweden and other countries is about who delivers the social investments. In countries such as the UK, USA and Australia private actors do the social investments, and if the activities are successful the state will pay them for the efforts, a so-called “Pay-for-success” model. In Sweden the state will instead be the one to try out projects, and hence carry the risk (Hermansson and Kastberg, 2016, p. 12).

In Sweden, the interest for social investments a sign that concrete preventive efforts have gained increased focus in the welfare state, as opposed to just doing information campaigns, which was common in the past (Jannesson and Jonsson, 2015, p. 4). There is also a theoretical discussion on how financial terms and ways to reason have made its way into the soft values of public services. There is no common definition of what social investments includes in Sweden, and despite this the term is increasingly used in both municipalities and regions all over the country (Hermansson and Kastberg, 2016, p. 9). However, a common way to see social investments is to encourage early action and counteract negative development for individuals and groups from a long-term perspective (Mejman, 2014, p. 7-8). In 2014 at least 142 Swedish municipalities and a few regions stated that they have or have had the concept social investments on their agenda, of which 75 municipalities have projects currently running or planned projects that

they define as social investments<sup>2</sup>. Social investments can have different focuses both in their goals and the means they promote. The two most frequently stated motives for social investments were in 2014 to promote early-targeted interventions and to create social returns, apart from decreased costs for the administration (Balkfors, 2015, p 17). Examples of Swedish social investments are “100 at work” [own translation], which is targeted interventions to help people under the age of 25 years to get employment in order for them go gain financial security (Söderhamn municipality, 2015, p. 8). Other projects are “SkolFam”, preventive interventions to help children in foster care with straighten their school results (Norrköping municipality, 2016) and “the Family Pilot” [own translation], a project to increase cooperation between the public actors involved with families where at least one member has a diagnosis (Linköping municipality, 2015, p. 22).

To make social investments is often complex, however the aim of the work as well as the level of ambition should guide how the work is structured (Hermansson and Kastberg, 2016, p. 8). According to Hermansson and Kastberg, there are two paths when organizing social investments, although a lot of social investments are joint efforts between these purposes. The first purpose is efforts aiming at helping a certain target population with specific issues. For this, proven methods are preferred and evaluation of the effect for the individuals is very important. The other purpose is to establish structural changes in the organization, often through cooperation between administrations or other partnerships. When structural change is the purpose this is also the criterion for success to a much larger extent than effects outside of the organization, and development of methods is a prioritized matter. According to Hermansson and Kastberg, three dimensions of social investments make them a promising base for development of the public sector. The first is that the social sector starts to talk through a logic and language of financial means. The second is that enhanced cross sector cooperation makes professions meet that otherwise seldom mix. The last is the strong connection between a defined method and expected results, especially since certain parts of the social sector is seldom concerned with presenting results (Hermansson and Kastberg, 2016, p. 8-10).

Ingvar Nilsson, who does a lot of lectures for officials and politicians on social investments and has a similar view on the potential of social investments, however he sees the influence of the work more as a scale, or three stages of success. The direct effect of the social investment is the first step, the second step is that other municipalities can learn from the project logic and the third step of success is changes in the organization (Nilsson, 2014, p. 216-217). In general, Ingvar Nilsson advocates the importance of integrating a synthesis of the practical view on social investments with the conceptual/strategic view on it in the administrations that deal with social investments. He claims that the strategic part

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<sup>2</sup> Own calculations based on survey by Balkfors (2015)

of social investments is often forgotten, and hence a part of the benefit of the investments lost. If these both views are embraced, social investments could be a tool to respond to two troubles municipalities are dealing with: the issue of exclusion and the issue of effectiveness (Nilsson, 2014, p. 214-222).

## 2.2 Swedish Social Investment Funds

Social Investment Funds are created as a mean to overcome a barrier to social investments, namely the need of capital to enable investments to deal with future issues (Nilsson, 2014, p. 214). The term Social Investment Fund indicates that the activities funded by it are something external to the ordinary budget. However, the terms social investment and Social Investment Fund after often confused and sometimes used synonymous in the literature (Hermansson and Kastberg, 2016, p. 11).

Several of the features included in the concept are not actually new to the public sector, and have been part of municipalities' core activities for a long time. Schools are a good example of ordinary activity that is a form of social investment, although the concept usually refers to development of methods or the organization as well as support for the target population, which education is not by default associated with (Jannesson and Jonsson, 2015, p. 4). Social investments and especially the associated funds can also be interpreted as instruments to enhance innovation and learning based on the municipalities' own practices. The funds are needed because of the budget processes of the municipalities, which constrain them from long-term initiatives in their ordinary activities since the results do not show in the same budget period (Hultkrantz, 2014, p. 223-229).

The concept Social Investment Funds is however rather young. The first and second Social Investment Funds in Sweden started in 2005 and 2006, the third one in 2009 and after that the trend has started to take off, with at least 27 Social Investment Funds starting in 2013 by municipalities and counties/regions (Balkfors, 2015, p. 8 and 20). By 2014, a total of at least 53 municipalities alone had some form of Social Investment Fund<sup>3</sup>.

Norrköping municipality has received a lot of attention for their fund, which was created in 2010. This Social Investment Fund is notable for its structure since it includes a re-transfer system. This re-transfer system requires that the administrative department that has been granted funding from the Social Investment Fund, a few years later re-transfers the money they got if it turns out that the project was successful and therefore reduced the expenses for the

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<sup>3</sup> Own calculations based on survey by Balkfors (2015)

municipality (Hultkrantz, 2015a, p. 10). Only six municipalities/counties/regions used the same structure as the one described for Norrköping municipality in 2014, although the “Norrköping model” is often glorified. Most municipalities do not use this model; instead more money can get transferred to the Social Investment Fund if this is decided in the ordinary annual budget process (Balkfors, 2015, p. 21).

There are two possible reasons the re-transfer requirement is not used in more municipalities. The first reason is that the incentives to do projects with clear financial effects are higher than to focus on social returns or projects associated with a lot of risk because they are very innovative. These incentives become stronger because the cost-benefit is estimated already in the application of the project when there is a re-transfer requirement, since these estimations are needed for the evaluation. The need for evaluations is the second reason it is hard to work with a re-transfer requirement. Today, several of the evaluations done on social investment projects are focused on the processes involved, rather than the outcomes (Hultkrantz, 2014, p. 228). However with a re-transfer requirement, the success of the projects need to be evaluated through an outcome evaluation.

Outcome evaluations are rather hard to make, and for this reason several guides have been produced on the matter. The guides have different focuses and require different skill levels from the user. For example, one of the easier guides proposes that at the time the interventions’ outcomes are expected to start showing, the officials could do surveys of perceived outcomes with participants or to measure and compare levels of unemployment or criminal rate for example (Hultkrantz, 2015b, p. 9-12). Nilsson and Wadeskog have drafted guides that require higher skills from the user. These guides focus on making financial analyses of social investment projects and are some of the most frequently referred to in the Social Investment Fund literature (see Mejman 2014; Jonsson and Jannesson, 2014; Hultkrantz, 2014, etc.). The estimations of costs are divided in accordance to the type of exclusion the individual is facing, as well as what governmental unit the cost is addressed to. For example, the annual cost per drug user is 258 979 SEK for the municipality, and 62 234 SEK for the county. The annual costs for a mentally ill individual is on the other hand 52 609 SEK for the municipality, and 232 944 SEK for the county (Nilsson and Wadeskog, 2008, p. 86). These sort of standardized tables are very useful for the officials in their estimations of future savings due to social investment projects.

### 3 Literature Review

Most of the research on social investments is concerned with either conceptualization on what differs social investments from other types of efforts or descriptions of practical work with social investments by municipalities (Hermansson and Kastberg, 2016, p. 9). This literature review will however focus on the literature on how structures and conditions are suggested to effect work with social investments and Social Investment Funds since that is the focus of this study. The conceptualization have also already been discussed to a large extent in the background since it is such a major part of the subject itself, and that is the reason it will not be treated in this review. The review ends with conclusions on where this field of research would benefit from expanding.

The research concerned with how structures and conditions affect the work with social investments is to the greatest extent concerned with how soft values and subtle characteristics of the organization influence the work. As a complement on the support material mentioned in the background, Jannesson and Jonsson have published a book on social investments to (among other things) help municipalities to benefit from the conclusions drawn in research done at Norrköping municipality, in order to ease systematic reflection on steering and organization of social investments (Jannesson and Jonsson, 2015, p. 3-7). In many ways, this publication is a compound of the most common themes of publications on social investments. However, this publication also brings up examples of contextual factors that might affect social investments. These factors are the local identity/vision, if the municipality considers itself to be a geographic or organizational unit, how long the municipality have worked with social investments (maturity of the processes) and what allocation model the municipality uses, i.e. if they perform most of their activities themselves or hire external actors to deliver services (Jannesson and Jonsson, 2015, p. 21-23).

Hermansson and Kastberg conduct another research concerned with what affects work with social investments. In this rapport a few local projects are being monitored and evaluated, but the rapport also have a more scientific approach, seeking general conclusions about what affects efforts through social investments. The results of it shows that the construction of the social investment is to a large part dependent on the use of trustworthy methods, a clear organization and to have a system to measure effects. However, although these are concluded as the core features for the construction of social investments, the analysis shows further more that the main focus has been put on the two former features in the local

projects, and very little on financial calculations or calculations of benefits for the individuals involved, i.e. measurements of the effects (Hermansson and Kastberg, 2016, p. 7).

A very focused study that investigates how organizational conditions affect social investments is on how the organization facilitate multiplier effects of projects financed by Social Investment Funds. Multiplier effects are effects that start through a project but then are implemented into continuous operations and that are formed by the organization and value adding for it. This research puts a lot of emphasis on the importance of Social Investment Funds to engage in social innovation, i.e. method development, in the municipality context. The results of the research are three organizational conditions that facilitates multiplier effects: the importance of a management with a clear focus on method development, focus on evaluations of projects to learn from, and that the management takes an active ownership of the operations, i.e. take interest in the results and learn from previous projects (Jonsson and Jannesson, 2014, p. 1-11).

The same thought about the importance of the soft values and organizational culture is highlighted in a study on the Ale municipality and Hisingen (Löfström and Nilsson, 2015, p. 10), where “Hisingen” or “Göteborg Hisingen DELTA” is a financial cooperation including Gothenburg municipality, two authorities and the local region (Samverkan VG, 2016). When different projects that have been invented in other municipalities, or in other parts of the world, will be tried out in the local municipality the project structure will usually need to get modified for the local context, although the logic of how the activities will lead to good outcomes should remain. To get inspired by others in this way is a common use of Social Investment Funds and the study focuses on how certain structures influence the required translation of the project logic. The structures the study investigates are steering- and organizational structures, and treats decision making based on goals and monitoring, organization around defined tasks and development of methods in the organization. The aim of the research is then to assess how these structures affect the conditions for social investments to influence the steering- and organizational structures, as well as how cooperation among actors can create a financial basis for social investments. This is one of few publications on the topic that are explicit about the methods used, which for this research have included some documentation processing, but mainly semistructured interviews with politicians, managers and officials at Hisingen DELTA and Ale municipality (Löfström and Nilsson, 2015, p. 10-11). What social investments need in order to be successful is perceived differently in Ale and Hisingen. In Ale municipality, clear steering is concluded to be the main feature for success (Löfström and Nilsson, 2015, p. 24) while a functional cooperation is considered the most important in the Hisingen DELTA-cooperation (Löfström and Nilsson, 2015, p. 33). The conclusion, that cooperation is an important challenge to deal with, is however mutual for the two cases, although the researchers does not have a

comprehensive answer to how cooperation affects financial conditions for social investments (Löfström and Nilsson, 2015, p. 42-43).

Some characteristics' effect on Social Investment Funds has also been tested by Hultkrantz, as part of a national overview on the topic. One of the conclusions drawn on characteristics' effect is that the party ideology of the municipality assemblies does not have any relationship to whether or not the municipality has a Social Investment Fund. Ideology does not have any relationship to the amount of resources allocated to the Social Investment Funds either (Hultkrantz, 2015a, p. 45).

To sum up the field, the concept social investment is rather new in the Swedish context, and for this reason there is a lot more knowledge to be gathered in the field (Hermansson and Kastberg, 2016, p. 9). Some research has been done on how characteristics of the municipality affect the municipality's work with social investments, but there are still several gaps in literature on this subject, for example on why certain municipalities work with the concept social investments, and other do not. Through Balkfors' survey from 2014 one possible answer can be drawn, being simply that some of the staff at the municipalities do not like the name of the concept (Balkfors, 2015, p. 9). To be added is that this survey has been published rather raw, and has a lot of potential for further processing of the results.

The research field of social investments also contain quite a few case studies but most of them have been done on Norrköping municipality's Social Investment Fund, which is generally considered to be a role model for Social Investment Fund in Sweden (see Petersson and Engström, 2015; Jonsson and Jannesson, 2014; Hultkrantz, 2015a). Very little comparative research has been done in the Swedish context, although there is a great variation in how municipalities approach both the concept and practical work. Also, almost all studies on characteristics' effect on work with social investments and Social Investment Funds are only concerned with the soft values of the organization, such as what the management's focus is, whether the steering and organization is clear or the identity of the municipality. In this research review, only Hultkrantz's research on how the political direction of the ruling municipality assembly is concerned with more objective characteristics, comparable for a larger number of cases.

## 4 Theory

In the outline of the main characteristics of this study both literature on characteristics and background interviews with representatives of associations and officials at municipalities have been used, in order to ensure that the characteristics chosen are the ones most likely to influence the municipalities' social investments and Social Investment Funds. However before bringing in the background interviews, the theoretical approach is presented.

There are two main traditions when studying governments' initiation of new methods or concepts through policy innovation: the tradition on internal determinants and the tradition on diffusion effects (Berry and Berry, 2014, p. 307). For this research, the internal determinant approach will be used to find out what characterizes municipalities that are encouraged to try out new policies. The field of policy innovation and is concerned with policy adaptation, i.e. the adoption of policies that are new to the own government, but not necessarily new in general. Models based on internal determinants recognize that the spread of knowledge of policies are spread between governments through media and internal channels of communication, but they assume that once the idea of a new policy is born, internal characteristics of the government will determine the policy's likeliness to get adopted, not external influences (Berry and Berry, 2014, p. 319 and 322). Governments that adopt new policies are in this literature considered to be more "innovative" than those that stay with business as usual (Berry and Berry, 2014, p. 307).

The literature on internal determinants is addressed to an international, state-to-state context. In Sweden, local self-government is exercised, and municipalities have a considerable amount of autonomy (Ds 2004:31, p. 3; SALAR, 2016a). This means that the municipalities are obliged to carry out regulated activities that the national government have decided on, but they have a considerable amount of freedom in deciding how to organize the activities. They can also act on their own judgement with activities that they consider being of public interest (Knutsson et al., 2008, p. 295). Therefore, to apply the ideas of policy innovation on municipalities should not be considered a limitation of the research, but rather an expansion of the use of the theory. This is since the same internal factors exist and differ among Swedish municipalities as among states, just in smaller scale.

In early studies on internal determinants, the level of "innovativeness" was determined by the earlier a program was adapted, that is, the first government to adopt a program is also the most innovative government. More recent studies have however chosen to select their cases from the same year. This research will

instead measure whether the government has adopted the policy *by the year 2014*. This is due to the limited cases; not so many municipalities work with social investments, and even fewer have created Social Investment Funds. What is of interest is whether the municipality has or has not adopted the policy, the exact year of adoption is for this purpose not considered crucial. The literature also point out that governments can be highly innovative in certain policy areas, while less so in others (Berry and Berry, 2014, p. 321). However, this research's aim is not to judge how innovative the local governments are in general; only to seek an explanation for why they differ in this specific policy area.

The tradition on internal determinants are concerned with whether or not a policy is introduced. What makes the policies on social investments and Social Investment Funds extra interesting is that the second policy is adopted to facilitate the first policy; the Social Investment Fund *is created for* the social investments. The policy innovations are assumed to work under the same causal mechanisms, but since the policies are connected, adaptation of both of the policies should be considered a strong commitment. The characteristics that are expected to make governments more innovative will in this research mainly be tested on the adoption of policies on social investments and Social Investment Funds by municipalities, but will also be used for the analysis on the functionality and purpose of working with these concepts.

## 4.1 Characteristics from an approach of Internal Determinants

The most prominent characteristics that are supposed to make governments more or less receptive to policy innovation are according to the theoretical approach on Internal Determinants economic, social and political characteristics. Especially characteristics such as large and wealthy are expected to increase the probability of the governments to be innovative in the context of policy innovation, but characteristics of political conditions seems to matter as well (Berry and Berry, 2014, p. 319; Berry, 1994, p. 442).

Some of the writers in the field of internal determinants suggest there are more factors that affect the government's receptiveness to innovation. Some of these are the motivation to innovate, i.e. the need for it, and local circumstances such as conflicting policies that makes it harder to adopt the policy of analysis, pressure for labour unions, ideology of the ruling party/coalition in the municipality assembly, etc. (Berry and Berry, 2014, p. 322-323). Whether the ideology of the ruling coalition of the municipality assembly matters for the probability of the municipalities to have Social Investments Funds have already been tested by Lars Hultkrantz (2015a, p. 45) and will therefore not be tested for in this research. The

rest of the mentioned alternative factors have not been accounted for through quantitative method, but if they are perceived important the qualitative part of the research will be able to account for that.

#### 4.1.1 Economic – Financial Situation

The theoretical explanation for why the economy of a government matters as an internal determinant for innovation is rather intuitive. To adopt a policy that introduces new ways to work, the resources to start it up are required. Also, especially when the policy innovation is new to the local context and hence has uncertain outcomes, the allocation of resources for the start up cannot be considered a safe investment. Social investments and Social Investment Funds have to be adopted as a financial risk. This is because there is no guarantee these policies will have the desired effect, and in the worst-case scenario there will be no outcomes and no returns; only costs (Berry and Berry, 2014, p. 322). Also, even if there is high probability of the policy to save money for the municipality in the long run, there is a transitional cost between spending money when first adopting the policy, and the pay-offs in the long run (Brooks, 2005, p. 282). In the public sector, societal interests are expected to be the top priority, however the resources are often scarce and all investments in it require a high level of legitimacy, which can be ensured by putting emphasis on the the outcomes of the efforts. For these reasons, the general objective of the public sector seems to be to minimize costs and maximize performance and outcomes (Knutsson et al., 2008, p. 297).

According to the background interviews, the more important economic characteristic of the municipalities is how well the financial situation is in the municipality, meaning that they are able to stay within the budget. This is more important than the total size of the municipality's budget, according to Tomas Bokström at SALAR (Tomas Bokström, interview March 24<sup>th</sup> 2016). Henrik Kvist, financial manager at Bräcke municipality and Siw Karlsson, financial manager at Avesta municipality agreed, since this requirement is very important for the municipalities (Henrik Kvist, interview March 21<sup>th</sup> 2016; Siw Karlsson, interview March 31<sup>st</sup> 2016). That more investments in general are done in municipalities with good financial circumstances is demonstrated empirically, while general investments in municipalities with less promising financial situations need to be discussed and defended to a much larger extent (Almqvist et al., 2010, p. 13-14). This goes although studies have shown that some actors in municipalities are of the opinion that municipalities cannot save their way out of a financial crisis; on the contrary, this is when the municipality should invest to improve their situation in the long run (Almqvist et al., 2010, p. 13-14). However, as Siw Karlsson pointed out during her interview, it is very hard for the management to defend why the municipality would spend money on projects they

do not know the outcomes of, while they at the same time withdraw resources from the ordinary activities (Siv Karlsson, interview March 31<sup>st</sup> 2016).

The reason for the importance of encountering the municipalities' ability to stay within the budget was according to Tomas Bokström at SALAR that it reflects the situation in the municipality, which is important in order for social investments and other kind of development work to get prioritized.

Because if [the municipality] has a poor budget or a poor financial situation then all [work] like this, that is about development becomes neglected. Even if it should not be like that, it seems to be the consequence (...) Instead more focus is on core activities and operational work. This would be the reason for why it is worse [for development] to have a poor financial situation.

(Tomas Bokström, SALAR, interview March 24<sup>th</sup> 2016)

Budgetary discipline is also one of five factors that are frequently mentioned in application for grants by municipalities, because it is considered a factor of success (Berggren, 2010, p. 5), which further emphasis its importance for municipalities.

#### 4.1.2 Social – Organizational Size

When researching organizations, the variable used to measure the access to knowledge is often by measuring the size of the organization, where a large size is assumed to mean that there is more knowledge in the organization. Access to knowledge is suggested as one of the main determining factors leading to governments being innovative since it is assumed to include knowledge on innovative practices, as well as lead to an open mind towards new ideas (Berry and Berry, 2014, p. 322). Size of the organization is also about the amount of people that can be assigned certain tasks. For example, a key success factor has shown to be to allocate enough capacity to cover both the action and the reflection involved in project management to learn from the project (Jonsson and Jannesson, 2014, p. 2).

According to a resources-based view on strategy, the human resources in an organization are there to fulfil the goals set for the organization. This view was developed for for-profit organizations, but Knutsson et al consider it being applicable to the public sector as well. Some factors that are important for the municipalities' ability to manage their resources (human resources included) are that the municipalities need to have an adequate resource base, that the municipalities are capable of allocating resources when changes are being made and that the municipalities' goals are realistic but yet challenging (Knutsson et al., 2008, p. 298-301). A challenging goal could be to carry out successful social

investments, but for this the organization needs to be able to allocate resources to this work. A large organization might more easily bring together such capability.

Walker is arguing that “slack” resources in an organization allow the decision makers to experiment with policies that might fail; they can afford it under such circumstances (Walker, 1969, p. 883). Tomas Bokström’s hypothesis on why the size of organization matters follows the same reasoning as Walker’s, being that with more capacity in the organization it is easier to allocate staff to development of the organization’s activities (Tomas Bokström, interview March 24<sup>st</sup> 2016).

It is a question of competence [and] capacity. Meaning that, it is harder to allocate resources to work with this and to become so competent at the methods that it [the work with social investments] really becomes active.

(Tomas Bokström, SALAR, interview March 24<sup>th</sup> 2016)

Henrik Kvist, financial manager at Bräcke municipality agreed that the size of the organization matters. In Bräcke municipality less than 800 people are employed, and these people need to deal with several tasks. Bräcke municipality does not have a social investment fund in writing moment, but Henrik Kvist thought it might be easier for larger municipalities to organize this, because it would be possible for them to assign staff to work primarily with administrating social investments (Henrik Kvist, interview March 21<sup>st</sup> 2016). Anders Norrlid at RKA thought in a similar way. In his opinion, large municipalities can create better conditions for systematic development work, because the organization is not as dependent on a few individuals.

If there is the right people in a small municipality I think they can be very efficient, but they are more dependent on the individuals, in large municipalities it is possible to build systems in another way.

(Anders Norrlid, RKA, interview April 8<sup>th</sup> 2016)

Siw Karlsson, financial manager at Avesta municipality, also believed that the character of those employed is very important, not the amount of employees at the municipality. If there are employees who are enthusiasts about social investments in the municipality, this is what plays the greatest role for the work (Siw Karlsson, interview March 31<sup>st</sup> 2016).

#### 4.1.3 Political – Ability to Act and Cooperation

The theoretical explanation for how political characteristics can work as an internal determinant on policy innovation has several bases. One way to look at it is by evaluating how safe the political position of the parties in power is. The

more safe a political party feel in their position, i.e. that have high chances of being re-elected, the more risk they can allow themselves to take by adopting policies that are less popular among the public (Berry and Berry, 2014, p. 323). This approach is hard to apply to the case of social investment though, since the argument is based on knowledge on how this policy is perceived by the public, which this research has limited time and resources to encounter for.

Another basis for how political characteristics influence the municipalities is though their level of shared political power. Brooks assumes, that a more radical policy innovation will have less chance to get adopted if power is shared between parties to a large extent. This is because the range of negotiations and compromises will increase in a scenario with several veto actors, and the policy is likely to end up less radical than it could have with fewer political parties involved (Brooks, 2005, p. 282-283). This hypothesis is generated by the veto players' theory, which is based on the assumption that an increase in the number of veto players, often measured by number of political parties, and the level of these parties' ideological differences, which will reduce a governments ability to do decision making. It is typically used when analysing a government's ability to produce significant laws (Tsebelis, 1999, p. 591).

Neither the parties' level of safety in position or their level of shared political power seems to be characteristics that matter much for the municipalities work with social investments though, in the opinion of people who work close with the matter (Siv Karlsson, interview March 31<sup>st</sup> 2016; Henrik Kvist, interview March 21<sup>st</sup> 2016). These theories are based on the municipalities' ability to make drastic, not long-term decisions, which is of great importance for the social investment policy in particular.

According to Siv Karlsson, financial manager at Avesta municipality, to have the same party staying in power for several years might make the directives more rectified, but this is not what makes the greatest difference for social investments. Unity and comprehensiveness is instead what matters the most in her opinion, so that the municipality can keep on working in the same way no matter which coalition wins the next election (Siv Karlsson, interview March 31<sup>st</sup> 2016). Henrik Kvist, financial manager at Bräcke municipality, was of the same opinion. If one party alone rules the municipality assembly all of their decisions will go through, but the political characteristic that matters for social investments is to find out how well the parties in power can cooperate (Henrik Kvist, interview March 21<sup>st</sup> 2016).

That there is a culture of consensus in the municipality assemblies is also brought forward as an advantage by other municipalities, where political unity is another of the five frequently mentioned factors in applications for grants by municipalities, as factors to success (Berggren, 2010, p. 5). Anders Norrlid, who is the spokes person for this report, explained that political unity creates clear

political directives. If the directives change frequently it becomes hard for the officials to follow through with their work.

If there is a clear political steering, or a clear steering from the political side, so to say, then this facilitates the administrations and the officials to work in a certain direction. If there are a lot of conflicts and a lot of [change] back and forward, then of course it is hard to carry out anything at all.

(Anders Norrlid, RKA, interview April 8<sup>th</sup> 2016).

Politicians in a party that have had a stable majority over time do not need to consider the opinions of the other parties (Wänström, 2015, p. 25). Hence there is a risk that a stable majority would instead impair the municipality assembly's will to cooperate. Tomas Bokström at SALAR was of the same opinion as Siw Karlsson, Henrik Kvist and Anders Norrlid. The will to cooperate is what is important, and that there is a unity across party borders, so that the decisions do not change.

In especially social investment it is extra important to have a broad political unity so that [the politicians] do not change everything at every election. If it [the investments] will be long-term then [the decisions] have to go over terms in office.

(Tomas Bokström, SALAR, interview March 24<sup>th</sup> 2016)

Making sure that decisions last over terms in office could be done by just staying in office, of course, but the decisions will be even safer if there is a consensus between the local politicians that the decisions are healthy for the municipality, no matter who is in power.

According to the background interviews, what is perceived as most important for the work with social investments is that there is a culture of cooperation and unity across party borders. Encouragement of more voices to be heard, and bringing in more alternatives and views into the decision process is also suggested to enhance a more accepting culture (Grote, 2015, p. 72). To find characteristics of municipalities that indicate a culture of cooperation is hard through statistical measures. However Anders Norrlid suggested a report from SALAR that might be good way to encounter for political cooperation (Anders Norrlid, interview April 8<sup>th</sup> 2016). The report concludes that municipalities with a minority rule and/or ruling coalitions among parties that usually do not cooperate, are often more likely to create more inclusive dialogue in their decision process, i.e. a more deliberate decision process (Wänström, 2015, p. 5 and 15).

The reason minority rules in municipality assemblies can create a more deliberate decision process is because parties or party coalitions that rule as minorities will be dependent on the opposing parties and cannot ignore their views and ideas. There is even a risk that parties in municipalities with minority rule become hard to distinguish from each other (Wänström, 2015, p. 5 and 34). To need to consider other parties, as in the case of minority rules, could then be assumed to be a good base for a consensus climate to thrive in the municipality assembly. The reason that non-conventional coalitions are suggested to matter, i.e. coalitions among parties that are traditionally not cooperating, indicates a will to cooperate regardless of ideological differences.

In Sweden, the conventional coalitions are Social Democrats, and the Left Party as the left wing coalition, and the Moderate Party, the Liberal Party, the Centre Party and the Christian Democrats as the right wing coalition. Local parties and the Green Party can be part of either the left or right wing coalition, depending on local circumstances (SALAR, 2015). In Sweden, the number of minority rules has increased a lot in the municipalities the past three elections, as well as the number of non-conventional compositions of parties forming ruling coalitions, which to a large part can be explained through the increased votes for the Sweden Democrats (Wänström, 2015, p. 6). The Sweden Democrats are not considered to be part of any of the coalitions, but rather considered a party to keep a distance to, and the party is in several cases not even invited to political discussions in the municipality assembly (Wänström, 2015, p. 17 and 22).

The political control might differ depending on the individuals in the local organization, however several of the participants in the study on minority rules claims that minority rules creates *better* conditions for “creative” and constructive decision-making. Also, according to the report, if there is a tradition of cooperation across the conventional party coalition borders, this creates better circumstances for decision-making in the municipality (Wänström, 2015, p. 12-15). Since the discussions become more deliberative, the decision-making in minority ruled municipalities tend to take more time, but the more perspectives being taken into account also makes the decisions qualitatively better and is often also more rooted across party borders, which gives them better conditions to last over time (Wänström, 2015, p. 15-17). There are even municipalities where a minority rule have been desired to create, since they are perceived to support more communicative decision-making (Wänström, 2015, p. 31).

Based on the background interviews, political cooperation is the most important political characteristic for work with social investments, since it is essential for the work that decisions on the policy do not change. This is important since the projects, and even more so the outcomes, goes over terms in office and the officials need to feel that they can trust the policy to be stable over time. This might also make cooperation important for the initiation process of the policy, if

assuming that the politicians are aware that there is a high risk for their decisions to change if another coalition seize power the next election, and that a up-start of projects that will not continue will hence only be a waist of resources and effort unless the decision to initiative social investments has been reached across party boarders.

However, if assuming that the top priority for the local politicians is to rule in accordance to their own agenda when they are in power – this is after all why they got elected – it makes sense that fewer parties in the ruling coalition makes it easier to make drastic decisions. Especially to create a Social Investment Fund should be considered a rather drastic decision. For the initiation process this could still be the more important factor, depending on if the focus of the local municipality assembly is on the own agenda or if the focus is on cooperation in order to make efficient use of resources in the long run. Therefor the municipality assembly's political ability to act will be controlled for as well as their political cooperation, variables based of different premises on the local political climate.

# 5 Methodology

The approach of internal determinant is interpreted to come from realist position because it is based on the assumption that internal structures have an effect on the governments' decisions, which indicates trust in quantitative analyses. Patterns and trends in political, economic and social matters are best overviewed through quantitative measures, but the study of ideas and circumstances require qualitative data (King et al., 1994, p. 5). Due to the epistemological position of realism, mixed methods are best suited (Furlong and Marsh, 2010, p. 185-186).

## 5.1 Study Design

The study design for this research is mixed methods, meaning that both quantitative and qualitative methods will be used, since these methods complement each other. The quantitative method, executed through mainly regression analysis, is conducted to empirically determine which of the characteristics are significant for the municipalities' work with social investments. Possible causality between the variables has been sorted out in the theoretical chapter, so the analysis will focus on relationships between the variables, in order to dismiss or provide evidence to support the theoretical reasoning (Heiman, 2006, p. 26-27). A benefit of applying a quantitative approach is that the measurements are characterized by objectivity and therefor increases the reliability of the research, although the results are of course still subjects to interpretation. On the other hand, a quantitative approach cannot explore causal mechanisms. This is how the quantitative method will be complemented by the qualitative method that will be executed through semi-structured interviews. Qualitative method is required to increase the validity of the research since causal mechanisms are about identifying causal links between the variables, not just patterns (King et al., 1994, p. 86). The weakness of qualitative method is on the other hand that it often requires considerable interpretation by the researcher in the assessment of the material, which can interfere with the validity of the research. A mixed method approach hence both increases the reliability and validity of the research, but also requires diverse skills from the researcher. The quantitative approach will also open up to test the theoretical approach to a greater number of cases than a purely qualitative approach could have for a research with such limited time and resources, which makes the results more generalizable.

In this chapter, regression analysis will be explained more firmly, as well as the indicators used for the characteristics. The issue of multicollinearity between the independent variables will be discussed and controlled for. The method for the interviews will be explained, and the material used and case selection for both the quantitative and qualitative methods presented.

## 5.2 Quantitative – Linear Regression

The dependent variable have for the linear regression analysis been transformed into a scale, where the first nod is not to work with social investments at all, the second to work with social investment but to not have a fund for it, and the third nod to work with social investments and to also have a fund for the social investments. Since it would be irrational to have a Social Investment Fund without working with social investments, this scale is considered a comprehensive way to present the dependent variable, and the categories are naturally mutually exclusive. When the number of categories is small, often counted as up to five categories, a multinomial categorical response model is often used (Harrell, 2015, p. 38). However, since these three categories are considered to be a scale, a multinomial categorical response model would not be a fit model, since it would not make use of the ordering of the categories. Instead linear regression will be used for this research, which has been used by many researchers before due to the simplicity of the model (Harrell, 2015, p. 9).

The kind of simple linear regression model that will be done for this research only requires presenting the standardized coefficient and significance to show valuable. The standardized coefficient can be interpreted to indicate which of the independent variables that has the greater effect on the dependent variable. Large values for the coefficient indicate great impact and can range between +1 (positive correlation) and -1 (negative correlation). 0 indicates no relationship at all (UCLA, 2016). Another value of importance is the significance (p-value), which is the probability that the value of the coefficient is 0. The smaller the value for significance, the greater is the probability that the coefficient is not equal to 0, which would indicate that there is no effect on the dependent variable. The level usually used to decide whether an independent variable significantly contributes to a relationship, is 0.05 or less (Hilbe, 2016, p. 21 and 23). For this analysis 0.05 is used as the limit to being considered statistically significant, but level 0.01 is also flagged, which is the next level of significance.

The R-square of the model is controlled for in order to know what proportion of the variation in the dependent variable is associated with variation in the independent variables. Hence the R-square indicates how good the model is for explaining variance in the dependent variable (Neter et al., 1996, p. 81).

Since two of the variables (“Financial situation” and “Organizational size”) contain numbers of a considerably larger scale than the others, these variables will be transformed by a log to the base 10 function. This is one of the most common transform, and it means that the range of change in the dependent variable is no longer equal to the change in the independent variable. Rescaling therefor creates a loss of information of the values. However, logging these variables will focus the information on the relative differences in the range of values, which is of greater importance when analysing the regression than the absolute differences (Hilbe, 2016, p. 33).

One issue with logging is however that all negative figures are excluded. The variable “Financial situation” contains 22 observations with negative values, of which the lowest is -3566. In order to make all of the figures 1 or above, 3567 have been added to all of the figures. This makes the selection take a jump up if scattered, but its correlation and significance will be similar to what they were untransformed. Since the only purpose of this analysis is to see whether there is a linear correlation among the variables, this does not disturb the interpretation of the results. These transformations of data (logging included) have only been done for the linear regression, not for Pearson’s correlation or the tables in Appendix 2. The software SPSS was used to make both the linear regression and Pearson’s correlation.

The tables on more questions from the survey by Balkfors (2015), presented in Appendix 2 (Tables 4, 5 and 6), were calculated with the software Excel. The municipalities were clustered according to the number of employees at the municipality: the smallest 50 per cent of the municipalities that have answered the question, and the largest 50 per cent of the municipalities that have answered the question. All municipalities answering these questions have been included in the selection, however in the cases where an uneven number of municipalities have answered the question, the median municipality have been deleted. This choice has been done so that the clusters are equally large, since the number of answering municipalities differs between each question because respondents of the survey could quit it at any time. For these tables no correlation analysis has been done since this was not considered needed in order to get an overview on general opinions in municipalities. Compared means was also a dismissed method, due to the large standard deviation for such an analysis. Simple per cent of clusters has been estimated sufficient to control for larger amounts of municipalities’ opinions on statements provided during the interviews.

All of the data for indicators has been collected from 2014, which is the year of the survey. This is in order to gather information at a single point in time, for changes over time not to invoke on the results. This increases the reliability of the results, since the gathering of data is consistent (Teorell and Svensson, 2007, p. 57).

## 5.2.1 Indicators

One of the benefits of using an internal determinants approach is that several of the characteristics are easy to measure. Many observable implications make it possible to build strong evidence about theoretical claims, as well as to falsify them (King, Keohane and Verba, 1994, p. 19). The choice of indicators is a crucial factor for the validity of the research (Teorell and Svensson, 2007, p. 57), and they are therefore chosen with careful regard to the theoretical approach.

### 5.2.1.1. Financial Situation

As an indicator for how the financial situation is for a particular municipality, figures on fulfilment of the municipalities' balance requirement are the most accurate according to all background interviews. The balance requirement has been effective since 2000, and means that municipalities create an annual budget in which income exceeds expenditures. If the requirement of exceeding expenditures is not met, the deficit should be restored within two years. However, there are no official statistics on the municipalities' management of the balance requirement (SCB, 2006, p. 97). This is because the requirement is actually formulated in a way so that it is about keeping a good financial management, which can be measured in a number of ways (Pettersson and Donatella, 2016, p. 5). An indicator on how well the requirement is met is the financial result of the year (Pettersson-Lidbom and Wiklund, 2002, p. 90), or the average net income over three years before extraordinary items, which is used by Statistics Sweden and RKA. To be considered to have met the balance requirement, a net income before extraordinary items of SEK 100 or more per inhabitant is required according to Statistics Sweden (SCB, 2006, p. 97-98).

For this reason the financial situation of the municipalities is assessed through data on the municipalities' net income before extraordinary items, per inhabitants of the municipality as an average over three years (2012, 2013 and 2014).

### 5.2.1.2. Organizational Size

To measure the size of the organization, the indicator used is the number of employees at each municipality. One problem with this could be if the municipalities outsource a lot of their activities, but in order to measure the human capacity at the municipalities through quantitative measures, employees in the organization is probably the best indicator available.

### 5.2.1.3. Political Ability to Act

The municipality's ability to act will be measured by the number of parties that are part of the ruling coalition of the municipality assembly after the election 2014. A large number of parties indicate low ability to act, and vice versa.

In Sweden, the elected municipality assembly is the decision-maker on goals and guidelines of activities as well as for budgeting in the municipalities (Ds 2004:31, chap 3, chapter 9). The decision on introducing social investments in the municipality is taken by the municipality assembly, and therefore this body is of the greatest interest for the policy innovation. Further, about 73 % of the municipalities with Social Investment Funds have the municipality executive committee as the primarily decision maker about decision once the policy is introduced, such as which projects that should get financed by the fund (Balkfors, 2015, p. 25). It is the municipality assembly that appoints the municipality executive committee (Ds 2004:31, chap 3, section 2), and for this reason these units are assumed to reflect each other politically, and measurement of the municipality assemblies alone is considered to be sufficient for the research.

### 5.2.1.4. Political Cooperation – Composition and Ruling Position

Since the background interviews highlighted further importance of political characteristics than the theoretical approach, the second variable used for political characteristics is cooperation. There will be two indicators to measure to what extent there is cooperation among the parties in the municipality assembly since both of them are suggested to indicate cooperation: the composition (conventional or non-conventional ruling coalitions) and ruling position (minority or majority rule) of the municipality assembly. The data that was collected is on the year of the election in 2014, although most of the Social Investment Funds were created before that election. The most recent results are still the most accurate to use, since the local politicians sets the guidelines for the social investments, and since guidelines can change after elections.

## 5.2.2 Descriptive

In Table 1, the ranges of the values in the case selection is presented, as well as the number of cases and mean values for the different categories of the scale used as the dependent variables. The table is presented in order to give an overview of the situation in the 250 municipalities in the case selection.

Table 1: Descriptive

	Range for the whole selection	Mean for the categories of "Working with social investments (scale)"		
		0	1	2
<i>Nr of cases:</i>	250	175	22	53
Financial situation	(-3566) - 10 595	944.02	1188.45	888.26
Organizational size	330 - 39 500	2303.89	2855.45	3423.40
Political ability to act	1 - 6	3.28	3.27	3.19
Political cooperation: ruling position (majority)	0 - 1	0.71	0.64	0.68
Political cooperation: composition (conventional)	0 - 1	0.72	0.59	0.45

Categories: 0 = Do not work with social investments, 1 = Work with the concept  
2 = Work with the concept and have a Social Investment Fund

Table 1 displays the total range of values in the independent variables of this research, as well as means of the independent variables divided per category of the dependent variable. Sources of data: Balkfors (2015), SCB (2016b and 2016c) and SALAR (2015).

For the variable “Political ability to act”, low numbers indicate high ability to act. The variables for political cooperation are dichotomous. For the variable “Political cooperation: composition” high values indicate more municipalities with conventional compositions of parties in their ruling coalition of the local municipality assembly. For the variable “Political cooperation: ruling position”, high values indicate more municipalities with majority rules in the local municipality assembly.

### 5.2.3 The Issue of Multicollinearity

In order to have a fit model there should not be multicollinearity, meaning that the independent variables should not correlate with each other (Hilbe, 2016, p. 3). Whether or not the independent variables are correlated can be controlled through a Pearson test. If the independent variables do correlate with each other, this does not in general disturb the possibility to make inference about patterns showing in the model, it does however mean that marginal value differences between regression coefficients should not be interpreted as meaningful. This is because the regression coefficient does not reflect the effect of each particular independent variable, but the partial effect of having this variable in the regression, given the

other independent variables that are included in the model (Neter et al., 1996, p. 289-291).

In Table 2 the results from the Pearson test are displayed. The important values in the table are the values for the Pearson correlation, but the significance has also been displayed in order to provide full information of the test. In the table we can see that there are a few correlations between the independent variables, but they are all weak correlations. For example, municipalities with a good financial situation often have both a rather large organization and slightly less ability to act i.e. more parties in their municipality assembly. Also, ruling position and political composition have a negative correlation, which means that those municipalities whose municipality assembly rule in majority more often consist of a political composition defined as a non-conventional coalition of parties. The correlation is negative is because the variables used for the test are “Ruling position: majority” and “Political composition: conventional” just as in Table 1, since these are the most common ruling positions and political compositions in the selection.

Table 2: Pearson correlation

	Financial situation	Organizational size	Ability to act	Ruling position
Political composition	-0.002 (0.980)	0.017 (0.787)	-0.099 (0.118)	-0.240 (0.000**)
Ruling position	0.034 (0.594)	0.038 (0.545)	-0.004 (0.955)	
Ability to act	0.169 (0.007**)	0.071 (0.265)		
Organizational size	0.176 (0.005**)			

**Pearson correlation  
(2-tailed significance)**

\*Statistically significant to level 0.05

\*\*Statistically significant to level 0.01

Table 2 displays the Pearson correlation and significance of the correlation for the independent variables used in this research. Sources of data: Balkfors (2015), SCB (2016b and 2016c) and SALAR (2015).

The Pearson test shows that there are weak correlations between some of the independent variables, however although the correlations are statistically significant, they are not strong enough to disturb a regression analysis. This means that when interpreting the linear regression in the analysis of this research, the model’s ability to value the effect of each individual independent variable is probably rather accurate, since the independent variables are considered independent in relation to each other.

## 5.2.4 Quantitative Material

All statistical data was collected from SALAR and Statistics Sweden. SALAR, the Swedish Association of Local Authorities and Regions, is an employer and interest organization, and their members are municipalities, counties and regions (SALAR, 2016b). Balkfors' survey was published by SALAR. It was conducted to get an overview of the Social Investment Funds in Sweden, which has been used as the basis for this research. The survey was sent out in June 2014, and was responded by representatives of 265 municipalities and counties/regions, out of the 310 municipalities and counties/regions in Sweden (Balkfors, 2015, p. 11-12). Data from this survey was mainly used to control for the municipalities position on social investments and Social Investment Funds, but also for quantitative control of opinions (see Appendix 2). Other data from SALAR includes statistics on the number of parties in, composition of and ruling position of the ruling coalition in the municipality assemblies in Sweden. To be noted is also that SALAR is the only organization that for this research is referred to with its English shortening. The reason for this is that they have an official English shortening, and this has not been found for the other organizations referred to.

Statistics Sweden is an administrative agency that handles public and official statistics in Sweden. "Official statistics" is a quality indicator, since the production of the statistics needs to have been done in accordance with the Officials Statistics Act and published according to official regulations. According to the Officials Statistics Act the data shall be objective and made available to the public (SCB, 2016a). Statistics from Statistics Sweden have been used to control for the municipalities organizational size and financial situation.

## 5.2.5 Quantitative Case Selection

The selection of cases for the quantitative part of the research consists of municipalities that responded Balkfors' survey in 2014. Out of the 265 respondents 252 were municipalities, but two of these have been excluded since they only answered one question and then quit the survey. Hence the case selection consists of 250 municipalities.

The question from the survey used to determine if the municipalities worked with social investments or not was the first question in the survey, and stated: "Does the municipality/county/region work with the concept social investments?". The question has several alternatives, and the municipalities with the responses "yes, we have running intervention(s) that we define as social investments" and "yes, we have planned intervention(s) that we define as social investments" have been considered to work with social investments. The rest of the municipalities have been considered not to work with social investments. The responses these municipalities have chosen are "No, but there is an investigation running regarding starting work with social investments", "No, but there are discussions

regarding starting work with social investments”, “No, but it was relevant in the past” and “No, and we have never worked with it” ([own translations] see Balkfors, 2015, p. 15).

The question on whether or not the municipalities have a Social Investment Fund, only the respondents that work with the concept social investments could answer in the survey. The question in the survey was stated “Is there a budget with especially appropriated resources for social investments?”. The municipalities with the responses “Yes, resources are allocated in the budget” and “Yes, resources are appropriated as additional funding/earmarking in the equity (e.g. from former surplus)” have been considered to have Social Investment Funds. Municipalities with the other possible response, “No”, have been considered not to have Social Investment Funds as well as municipalities that did not answer the question ([Own translations] see Balkfors, 2015, p. 18).

The number of cases required to draw conclusions depends on the research design, but a general rule when assessing if a case selection is large enough, is that if the variability of the dependent variable is unexplained to a large part, the case selection should be large as well (King, Keohane and Verba, 1994, p. 213-214). A small case selection increases the risk of the results to be misleading, since just a couple of answers will make a noticeable difference in the analysis (Lantz, 2009, p. 10). Since there are no more cases to include in the selection, the results will have a higher internal validity than external. This means that the research will have good potential to find causes for variations within the population, but less potential to generalize the results to other populations under different circumstances (Teorell and Svensson, 2007, p. 69).

### 5.3 Qualitative – Interviews

Background interviews were conducted with officials at municipalities and representatives for associations, and main interviews were conducted only with officials at municipalities.

The interview technique followed the four core attributes for qualitative research in political science. These are inductive analysis, meaning that the interviews were used to test the theoretical approach, but were also open to an exploratory view, which goes with a holistic perspective that seeks to understand a complex reality. They were also adaptive to capture unique perspectives, as well as reaching for a high level of objectivity in the analysis (Vromen, 2010, p. 257).

A lot of quotations are used in the analysis. This is because the value the respondents themselves put into the description of their work is of great importance for the analysis, and to make these value charges transparent to the reader (Gustavsson and Berglund, 2010, p. 55).

All of the respondents for interviews were contacted by e-mail before the first contact by phone was made, introducing myself and explaining the purpose of the

study. The interviews were conducted by phone, and all respondents were in the introduction of the interview informed that their participation was optional, and agreed to the publishing of their name and position in the research. All respondent that are directly quoted were recorded, with his or her consent. The interviews were semi-structured, with different scripts for the background interviews and the main interviews.

All of the interviews were conducted in Swedish, and in the translation of the quotations care was taken to not leave out or add anything said, but it is freely enough translated to create correct English, i.e. following of words have been changed. When a certain term was not used, but is needed to understand the quotation, it was added in square brackets [ ] to clarify that this is added. When certain Swedish words was used that are not possible to translate, these have simply been dismissed in the translation.

### 5.3.1 Qualitative Material

The introduction and theoretical sections are partially based on four background interviews, while the analysis is based on eight “main” interviews. The background interviews were conducted to find out how the importance of working with social investments and of having Social Investment Funds was perceived. During the background interviews the respondents were also asked about how they perceived the importance of the characteristics of municipalities, and how and why the characteristics could have an effect on the municipalities’ desire to work with social investments, and to have a Social Investment Fund. The main interviews were instead focusing on the respondents’ perception and experiences of different parts of the own municipalities work with social investments, and how the local circumstances could have affected those experiences. All of the main interviews were conducted with officials that work with social investments in the municipalities selected. These are often financial managers or controllers.

The choice of interviewing the officials instead of the politicians was done since the purpose of the research is to assess how the work with social investments is perceived, which the officials are assumed to be more closely embedded in than the politicians. The questions that are concerned with the initiation of the policy, the officials have shown to have a rather good picture of as well, so these respondents have been considered to be sufficient for the purpose of this study.

### 5.3.2 Qualitative Case Selection

Cases for the eight main interviews have been selected depending on the results of the quantitative analysis, to ensure that the municipalities have varying characteristics on the most important characteristics. This have been done in order to find alternative explanations, which might be more important than the ones expected from the selected independent variables, as well as to find out which of the variables that play the most important roles for the research (Teorell and Svensson, 2007, p. 275-276).

The four background interviews have been conducted with representatives of two associations and two municipalities. The associations are the Swedish Association of Local Authorities and Regions (SALAR), concerned with municipalities work with social investments, and the Council for Local Government Analysis (RKA), concerned with analyses of differences among municipalities depending on the municipality's characteristics. The municipalities are one with a Social Investment Fund, Avesta municipality, and one without a Social Investment Fund, Bräcke municipality (a list of respondents is found in Appendix 1).

# 6 Analysis

In this section patterns observed through the empirical data are analysed in order to identify how characteristics of municipalities affect work with social investments. First, the relationship between the theoretically suggested characteristics and work with social investments are assessed through quantitative method. Second, how characteristics matter is assessed through interviews with officials working with social investments and Social Investment Funds around Sweden. The interviews are complemented by samples of questions from a processing of the survey by Balkfors (2015) to a larger number of municipalities, to find out if these experiences are common among municipalities and can be generalized. These sample questions are presented in full in Appendix 2.

## 6.1 Municipalities Working with the Concepts

The linear regression in Table 3 shows that none of the variables have a strong relationship with the scale “Work with social investments”, however some of the relationships are statistically significant. The scale “Work with social investments” means, as mentioned, 0) do not work with the concepts, 1) work with the concept social investments, or 2) work with the concept social investments and have a Social Investment Fund. The values for the standardized coefficient indicate that the characteristics “Organizational size” and “Political cooperation - Composition” have stronger relationships with municipalities’ work with social investments than the other independent variables. The organizational size and political cooperation measured through the municipality assembly’s composition are also the only variables that are statistically significant, since the p-value is less than 0.05 and even less than 0.01 for both of them, which are the levels for significance chosen for this research.

The variables “Political ability to act” and “Political cooperation: ruling position” have lower values for their standardized coefficients than the variables mentioned above, which indicates that their relationship to the dependent variable is even weaker. However, “Financial situation” is the variable with the weakest relationship of all the independent variables, which is surprising considering the

strong theoretical arguments for why it would affect municipalities' work with social investments.

The positive relationship between “Organizational size” and “Work with social investments” indicates that large municipalities more often work with the scale of social investments, and the negative relationship between “Political cooperation - Composition” and “Work with social investments” indicates that municipalities with non-conventional coalitions ruling their municipality assemblies more often work with social investments than municipalities with conventional coalitions. However since the variables “Financial situation” and “Organizational size” have been transformed by logging, the information of the range of change in the dependent variable in relation to the change in the independent variable have been lost and cannot be further analysed.

That the values of the standard coefficients of these variables are low but statistically significant can indicate that these variables are part of the puzzle of what affects the dependent variable, but there are most certainly more factors interplaying. This is confirmed by the R-square of the model that is 0.101, which means that about 10 % of the variability in the dependent variable can be accounted for by variance in the independent variables. This is not a very high percentage, but it is high enough to be of interest for further investigation.

### Table 3: Linear Regression

Dependent: work with social investments (scale)

	Standard coefficient	Significance (p-value)
Financial situation (transformed)	0.026	0.668
Organizational size (transformed)	0.188	0.002**
Political Ability to act	-0.082	0.185
Political cooperaton - ruling position	-0.098	0.120
Political cooperation - composition	-0.252	0.000**

\*Statistically significant to level 0.05

N=250

\*\*Statistically significant to level 0.01

Table 3 displays the standard coefficient and significance of a regression analysis with work with social investments (three step scale) as the dependent variable. Sources of data: Balkfors (2015), SCB (2016b and 2016c) and SALAR (2015).

Since the independent variables “Organizational size” and “Political cooperation - Composition” seem to be of most importance out of the ones selected for the analysis, they will be the focus of the qualitative analysis; however since the relationship in the regression analysis is weak, more emphasis will be put on the qualitative results than the results of the quantitative analysis.

## 6.2 Exploring Causal Mechanisms

Based on the quantitative analysis, the municipalities' characteristics that have an effect on whether or not the municipality works with social investments and if they have a Social Investment Fund, seem to be the size of the organization and the composition of the ruling coalition in the municipality assembly. Interviews were conducted in order to elaborate on how the causal mechanisms connected to these characteristics influence the municipalities' work with social investments. Eight municipalities were chosen for interviews based on their characteristics. Both small and large municipalities are represented, as well as municipalities with conventional and non-conventional coalitions, and the distribution of characteristics is displayed in Table 4. The other characteristics tested in the quantitative analysis are displayed in the table as well, but only the relative level to show that certain characteristics are not over-represented.

All of the municipalities selected for interviews both work with social investments and have or have had a Social Investment Fund. None of the municipalities with an employee rate among the lowest 10 per cent of the selection reported in the survey that they have a Social Investment Fund. Therefore the smallest municipalities selected for interviews are among the smallest 20 per cent of the selection. A more specific presentation of the respondents can be found in Appendix 1.

Table 4: Municipalities for interviews

Municipality	Organizational Size (number of employees)	Non-conventional ruling coalition	Financial situation (note)	Ability to act (note)	Majority rule
Vingåker	810	No	Medium	Medium	No
Gnesta	870	Yes	Medium	High	Yes
Emmaboda	920	No	Low	High	No
Hedemora	1500	Yes	Medium	Medium	Yes
Söderhamn	2500	No	Medium	Medium	No
Linköping	8600*	Yes	High	Medium	Yes
Norrköping	10500*	Yes	Medium	Medium	Yes
Örebro	12500*	Yes	High	Medium	No

\*Employee rate that is among the lowest 10 % or the highest 10 % of the selection

Note: High = among 10 % highest, Medium = middle 80 %, Low = among 10 % lowest [of the selection]

Table 4 displays the characteristics of the case selection for the main interviews. Sources of data: Balkfors (2015), SCB (2016b and 2016c) and SALAR (2015).

In the following sections, the results from the interviews are presented according to initiation process, reasons for efforts (i.e. why the municipality works with social investments and the fund) and functionality of the work with the social investments.

## 6.2.1 Influence of the Characteristics on the Initiation Process

The linear regression analysis indicates that both size of the organization and the composition of the municipality assembly's ruling coalition matters for work with social investments and having Social Investment Funds, and hence to the initiation process. According to the theoretical reasoning on how a non-conventional ruling coalition in the municipality assembly could influence work with new policies in general, this variable is probably the more important one when it comes to the initiation of social investments in the municipality. The way in which size can be suggested to influence the initiation process of social investments is due to an awareness of the capacity for the policy. This topic will be treated in section 6.2.3 instead of here though, in order to avoid repetition.

Non-conventional coalitions are suggested to create cooperation between parties that do not usually cooperate, which might lead to more creative and constructive decision-making. This is supposed to be more important for policies on social investments than other policy innovation, since it is important that the work can continue between elections, according to the background interviews. Hence, a well cooperating municipality assembly should create good circumstances for the municipality to work with social investments and to have a Social Investment Fund. This the politicians are assumed to be aware of and take into account when deciding on whether or not to introduce these policies.

The data collected from the interviews show a clear commonality when it comes to how the interest from the politicians is perceived: all of the respondents declared that the politicians in their municipality assembly have been very positive to social investments, at least in the start up. The only way in which municipalities with conventional coalitions stand out in this selection is that certain individuals seems to have played a more important role in pushing the topic to a larger degree in some of those municipalities than in municipalities with a non-conventional coalition. For example, in Vingåker municipality, one of the politicians of the municipality board pushed the question (Christel Fredriksson, Vingåker municipality, interview April 19<sup>th</sup> 2016), while in Söderhamn municipality the initiative was pushed from the city manager among others, i.e. from the administrative management (Erik Sunnert, Söderhamn municipality, interview April 20<sup>th</sup> 2016). But in general the decision to work with social investments has been supported by a broad unity in the municipality assemblies. Some, but not all, also reflected on the composition of the municipality assembly's correlation with an adaptive municipality assembly ready to compromise. Charlotta Rosenquist, economist/controller at Gnesta municipality, thought a non-conventional ruling coalition might enable the local politicians to focus less on ideological standpoints, and more on sustainable solutions.

Yes, we have a majority that consists of cooperation between the Social Democrats and the Moderate Party for example, so they [the politicians] are rather adaptive here. (...) I think that they have put some ideological issues aside here and instead put effort on what is the best for the municipality, and that they compromise [to reach such decisions].

(Charlotta Rosenquist, Gnesta municipality, interview April 14<sup>th</sup> 2016)

The local politicians in Norrköping municipality assembly seem to have found this spirit of cooperation as well. However, Malin Bengtsson, economist for social investments at Norrköping municipality, pointed out that the coalition was conventional when the decision to start the work was taken. She explored the possibility that the organizational culture at her municipality might be one of their keys to success, but did not want to theorize about where this culture comes from (interview April 28<sup>th</sup> 2016).

It does not, however, go for all adopting municipalities that a general spirit of cooperation and consensus is what has influenced the municipality's approach to social investments. According to Aina Rundgren, process manager of social investments at Örebro municipality, all of the politicians in the municipality assembly voted in favour of working with social investments. At the same time she emphasized that their municipality assembly is not always that uniform, although Örebro municipality is ruled by a non-conventional coalition.

Our [local] politicians are probably as disagreeing and agreeing in different questions as in other municipalities

(Aina Rundgren, Örebro municipality, interview April 21<sup>st</sup> 2016)

Aina Rundgren's theory was that the local politicians all saw an opportunity in changing the view on preventive efforts and in that way to invest in the future of both their citizens and the municipality's own financial situation (interview April 21<sup>st</sup> 2016).

It seems like a well-cooperating municipality assembly rules most municipalities that have introduced social investments and the associated fund. Even in the case when cooperation is not a general characteristic of the assembly, the politicians have become unified on introducing social investments in the municipality, meaning that there was never just a few politicians that pushed through the policy in the municipalities represented for interviews.

However, there does not seem to be any greater general spirit of cooperation in the municipalities with a non-conventional ruling coalition, compared with the municipalities with a conventional coalition among the municipalities chosen for interviews either, which is what the theoretical approach suggested. Without a connection between non-conventional ruling coalitions in the municipality assembly and a better cooperating municipality assembly, there is no reason the political composition would influence the municipality's work with social

investments. Hence, the weak but yet significant relationship between “Political composition” and “Work with social investments” that was found in the regression analysis has to be rejected as sporadic. For this reason the analysis will focus only on how organizational size influences the reason for the efforts and the functionality of the work.

## 6.2.2 Influence of the Characteristics on the Reasons for the Efforts

Even though the local politicians in several cases seem to be unified in the opinion that social investments is a good concept to work with, the reason municipalities work with it seems to differ to a great extent, possibly because the concept is very broad. Interestingly, the perception of the benefit of working with social investments seems to change with the size of the municipalities’ organization.

In large municipalities, such as Örebro and Norrköping, the focus is to a great extent about development of the activities of the municipalities and to provide evidence of the effectiveness of the activities. According to Malin Bengtsson at Norrköping municipality, there is definitely a connection between work with social investments and development work, since it involves several important components that can need improvement, such as need assessment, method development and evaluation. The projects funded by Norrköping’s Social Investment Fund have been inspired by scientifically tested methods or methods that though empirical experience from other municipalities have shown to be effective (interview April 28<sup>th</sup> 2016). To have a Social Investment Fund can also be a way to prioritize development of the activities and a mind-set about development that can spread throughout the organization.

The individuals that have been involved in this [social investments] have started to use this way to work on other parts of the municipality or in her/his work apart from this [social investments].

(Malin Bengtsson, Norrköping municipality, interview April 28<sup>th</sup> 2016)

At Örebro municipality the focus on evaluation of the efforts is again highlighted, and again the ripple effect of the mind-set to other parts of the municipality is observed.

In the public sector generally, we are pretty bad at measuring the effects of what we do. Often evaluations or so are done, but the direct effects are not looked upon, of activities or efforts or projects. And there we can see that we have a lot to learn. Social investments can work like a lever to create this way to think in the organization as a whole. So in that way it

has absolutely changed larger parts of the municipality, not only within the frame of social investments.

(Aina Rundgren, Örebro municipality, interview April 21<sup>st</sup> 2016)

The initiation of a Social Investment Fund forces both the local politicians and the officials to reflect upon how efforts with a soft value character can be calculated in a financial manner that had not been done before. These groups were also faced with the question on whether the ordinary activities the municipality was engaged in at the time, actually lead to the results they had been assumed to, or if that was just something people had been taking for granted without any scientific basis for (Pär Tudén, Linköping municipality, interview April 29<sup>th</sup> 2016). To start questioning why the public sector does certain things can be very healthy from time to time, as well as to practice defending the activities that have actually been proven effective for the target population.

[It is] tremendously healthy for those kinds of administrations, for the social administrations that needs to get better at motivating and probating why they need resources etc., and how to calculate and think (...) they need to get sharper at the financial part connected to soft values in the municipality

(Pär Tudén, Linköping municipality, interview April 29<sup>th</sup> 2016)

Large municipalities have a greater focus on implementation of evidence-based methods. They also find their social investments to be opportunities to develop new methods to a greater extent than small municipalities, according to the processing of the survey by Balkfors (2015). When dividing the municipalities that have answered the question into the equally large groups based on their size, the results show that only 50 per cent of the group with small municipalities found their work with social investments an opportunity to develop new methods on their own, while 83 per cent of the group of large municipalities reported perceiving such opportunities. That implementation of evidence-based methods was a component of the municipality's own social investments was perceived by 53 per cent of the group of small municipalities, and 70 per cent of the group of large municipalities (Appendix 2, Table 5). This confirms that this is generally a greater focus among large municipalities than small ones.

For small municipalities, the reasons for working with social investments seem not to be as clear-cut as for large ones. In the survey, to increase quality and to create financial returns are the only alternatives that seem to be more important to small municipalities than to large ones (Appendix 2, Table 5).

Ann-Sofie Nylander-Johnsson, controller at Emmaboda municipality claims that the idea of working with social investments came from the media, and the attention Norrköping had received for their work. The politicians at Emmaboda municipality got inspired, and saw it as an opportunity to put extra focus on certain target groups, but at the moment of writing there is no longer any Social

Investment Fund in Emmaboda (interview April 20<sup>th</sup> 2016), a topic further discussed in section 6.2.3. Emmaboda municipality was not the only small municipality to get inspired by Norrköping's example. At Gnesta municipality, for example, there were feelings about not knowing what they got themselves into when they chose to work with social investments.

It was like a wave. Certain municipalities started and then it has spread. My perception when I have worked with it is that it is not as easy to handle as one maybe first thought, if it should be done in a correct way [so that] it will give the results that they are meant to.

(Charlotta Rosenquist, Gnesta municipality, interview April 14<sup>th</sup> 2016)

Charlotta Rosenquist, economist/controller at Gnesta municipality, declared that the directives about how to work with social investments were perceived as unclear, and in Gnesta municipality the interest for the concept wore off after the initial hype. In Gnesta municipality there has only been one project financed by their Social Investment Fund, and Charlotta Rosenquist does not even consider that project a proper social investment since it was directed towards elderly and does not fulfil the requirement of the classification, for example to decrease future costs (interview April 14<sup>th</sup> 2016).

The perception differs in how well Social Investment Funds facilitate development work in the municipalities. However, there seems to be a symbolic value of having a Social Investment Fund that makes the concerned parties think in a new way about budgeting, regardless of the characteristics of the municipality. This is also reflected in the processed survey material, where transboundary cooperation is important for both the small and large groups of municipalities in their work with social investments (Appendix 2, Table 5). A few representatives of the selection for the interviews talked about the need to find a new way to think about the distribution of the budget and of Social Investment Funds as a tool that creates a more comprehensive view on what resources should be spent on in the public sector. Erik Sunnert, controller at Söderhamn municipality, expressed for example that there is a need for the distribution of resources to be focused on the effects of the efforts.

I think you should have a holistic view. I do not know how, but you need to find a new way to think about resources. Take the other path, to start distributing the local budget in a different way, to create better effects

(Erik Sunnert, Söderhamn municipality, interview April 20<sup>th</sup> 2016)

To distribute resources in accordance with what they are used for, rather than primarily what administrations they go to, is a view reflected in municipalities of different size. In the smallest municipality of the selection, Vingåker municipality, Christel Fredriksson observed that often in the ordinary budget process, the same

framework is used that has been used for years, meaning that the distribution of money does not depend on the special activities the administrations would like to engage in, but only on how much the different administrations usually get. This disables the administration offices' ability to think in new ways, because there is no extra money to realize ideas from, which makes them stay within the same framework over time (Christel Fredriksson, Vingåker municipality, interview April 19<sup>th</sup> 2016). Aina Rundgren at Örebro municipality, the largest in the selection, speaks in the same terms. Social Investment Funds make the municipality think about financial resources in a different way than before, for example that cooperation across administrative borders can be more efficient than to work alone, or to focus on the importance of evaluation of the efforts. Aina Rundgren could not think of any other form or development work that ties these components together into a single concept in the way social investment do (interview April 21<sup>st</sup> 2016).

In sum, the reason for working with social investments differ somewhat depending on the size of the municipalities' organization. Large municipalities seem to have a greater focus on method development and implementation of science-based methods than small municipalities.

However, a few of the municipalities find social investments important as a tool to create a different view on resource management than the traditional, and this opinion does not seem to come from municipalities that are characterised by anything in particular. An interpretation of why this is so is that there is a general (or scattered) discontent towards the traditional budget process. A factor worth to keep in mind on the subject is that most of the people interviewed work as controllers or financial managers in the municipalities. They primarily handle money, not people, and hence it not that surprising that they point out an effective allocation of financial resources as a goal in itself. Whether the allocation of resources that social investment often includes leads to more functional operations or not is treated in the next section.

### 6.2.3 Influence of the Characteristics on the Functionality

When getting into contact with people who work locally with social investments and Social Investment Funds, it seems like although there is a Social Investment Fund, especially in small municipalities, it is not always used to its full potential. At Gnesta municipality the economist/controller Charlotta Rosenquist informed that they have a Social Investment Fund in theory, but not really in practice since there is no attention on the fact that it exists and hence it is not getting used. This is to a large part because of uncertainty of how it should be used, which makes it a bit redundant to have such a fund.

We have a Social Investment Fund, but we don't use it, we don't do anything with it. (...) It is a bit vague with the directives around it; we don't have a ready-done structure on how it should work. So there has been no activity around it and no one have made any effort to get activities in either, no one has been taken initiatives. So it feels like it is on ice.

(Charlotta Rosenquist, Gnesta municipality, interview April 14<sup>th</sup> 2016)

This is an experience that seems to be reflecting the mere size of Gnesta municipality, which makes the staff hesitant in what to do with their Social Investment Fund. To work with social investments does not necessarily demand more staff, Charlotta Rosenquist explained, but staff with a different competence (interview April 14<sup>th</sup> 2016).

At another small municipality, Emmaboda, they do not even have a Social Investment Fund anymore, as mentioned earlier. They used to, but after the money in the fund got used the fund did not get re-filled. Ann-Sofie Nylander-Johnsson, controller at Emmaboda municipality, thought the Social Investment Fund will be re-established when the financial situation of the municipality gets better though. She also speculated on how work with social investments might be easier for larger municipalities to do, since they have more resources to work with (interview April 20<sup>th</sup> 2016).

At the large municipality Norrköping, they usually have two or three project applications per year, and in total six projects have been funded by their Social Investment Fund (Malin Bengtsson, Norrköping, interview April 28<sup>th</sup> 2016), as an example to contrast to the stagnation of work at some small municipalities.

The administration offices are sometimes hesitant towards applying for funds from a Social Investment Fund in municipalities where there is a re-transfer requirement (Erik Sunnert, Söderhamn municipality, interview April 20<sup>th</sup> 2016), which is a possible explanation of the slow progress in some municipalities. However, other times it seems like the staff responsible for the Social Investment Fund is hesitant to exhort for applicants for funding as well. Linköping municipality has a fund with 30 million SEK, and yet only one project has been funded, two years ago (Pär Tudén, Linköping municipality, interview April 29<sup>th</sup> 2016). This is although Linköping municipality has an organization that in comparison with for example Söderhamn municipality, Linköping municipality's organization is more than three times as a large. Yet Söderhamn municipality have funded three projects by their local Social Investment Fund (Söderhamn municipality, 2015, p.12).

No, it has been quite calm on that front [with applications for funding], and that is a little bit about how it is promoted and how it spread, and in a way we think that whether the first project is fortunate or not becomes a sort of... It is quite urgent to get a fortunate example as a point of departure in a way, and that it can get to spread a little at that point.

(Pär Tudén, Linköping municipality, interview April 29<sup>th</sup> 2016)

The reason for the hesitation seem to be that the officials, and probably also the politicians at Linköping municipality, want to see if the first project works out before they start additional ones.

It might seem natural that small municipalities in general fund fewer projects than larger municipalities, especially since the amount of money in the fund is usually related to the size of the municipality. However the size of the fund might not be the only reason for differences in projects funded among small and large municipalities. When it comes to how well the municipalities feel that they can handle the tasks involved in social investments, the smaller municipalities are in several cases rather frustrated about the situation. The officials at the municipalities are also very aware of differences in ability to handle social investments, between small and large municipalities. At the small municipality Vingåker for example, the controller reflects that they do not have enough staff to let them focus on social investment to the extent that would be optimal.

The political side has the engagement, but then... it is competence and engagement that is missing. And I think this is more usual because this is a small municipality. If you [work for] a large municipality, then you have a full time employee that only works with this. I have a hundred different tasks.

(Christel Fredriksson, Vingåker municipality, interview April 19<sup>th</sup> 2016)

Apart from perceiving a lack of capacity and competence, there seems to be a tendency to a greater dependence on the engagement and knowledge of a few individuals in the organization in smaller municipalities than in larger ones. This opinion was expressed during the background interviews, and confirmed by Christel Fredriksson who recognized that there is a risk that Vingåker municipality will not continue their work with social investments for much longer, since a lot of the key people around it, herself included, already have or are about to leave their position in the municipality.

At another small municipality, the economist/controller Charlotta Rosenquist stressed that the staff need a lot of competence in order to make a serious effort at a social investment. A small municipality has limited resources and for example at Gnesta municipality they do not even have a project leader, which they would need to in order to do social investments in a “correct” way according to Charlotta Rosenquist. Due to limited resources, she argued, maybe social investments are not the optimal form of work for small municipalities; maybe there are more manageable ways to use the resources (interview April 14<sup>th</sup> 2016).

I think it is dangerous to just tag along and do like everyone else without evaluating if it is something [the municipality] can handle.

(Charlotta Rosenquist, Gnesta municipality, interview April 14<sup>th</sup> 2016)

Interestingly enough, according to the processed survey by Balkfors (2015), the large municipalities are the ones that report that they need to develop their evaluations and financial analyses the most; remarkable 94 per cent of the large municipalities have corresponded to both of these alternatives. This is the highest chosen alternative reported by the small municipalities as well, but not close to as intensively as by the large municipalities (appendix 2, table 6).

An explanation to why large municipalities claimed to a greater extent that these are components they need to develop according to the survey, although severe struggles have been articulated in several of the interviews with small municipalities in particular, was expressed by the economist at the rather small municipality Hedemora. The solution to lack of resources in Hedemora municipality have been to work with the parts of the concept social investments that they find fruitful, and that they feel that they can handle. They do not work with the calculations that the larger municipalities have praised, and hence not the re-transfer model either for which calculations are required. They do still work with social investments, but in their own way.

We do not have a re-[transfer] requirement in our municipality (...) I think that is because the model is so complicated that it is hard to calculate according to it.

(Anita Mikkonen, Hedemora municipality, interview April 20<sup>th</sup> 2016)

Emmaboda municipality is the only small municipality interviewed that challenged the view that small municipalities struggle in their work with social investments. According to their controller Ann-Sofie Nylander-Johnsson, their officials have had no problems with either the calculations or the evaluations of the two projects they have had (interview April 20<sup>th</sup> 2016).

Norrköping municipality is one of the larger municipalities in the selection. The municipality's economist for social investments identified the fact that the municipality is large as an advantage since they have both statisticians and experts at each administration (Malin Bengtsson, Norrköping municipality, interview April 28<sup>th</sup> 2016). Again the access to competence is pointed out as an important factor that is affected by the size of the municipality. However, according to Malin Bengtsson, Norrköping municipality has struggles with executing their social investments as well, although they are both a large municipality and one of the leading municipalities in work with social investments and Social Investment Funds in particular.

I believe that we have development areas within all of the [parts of social investments] and that is something that I usually say when I talk about social investments, that the more you work with it the more you realize that 'oh, we need to develop this', which is a lot of fun.

(Malin Bengtsson, Norrköping municipality, interview April 28<sup>th</sup> 2016)

A difference in the struggles experienced at Norrköping municipality and the struggles at the small municipalities seems to be the perception of it. In Norrköping the struggles did not seem to have overwhelmed the officials, they were rather seen as a challenge they felt that they could take on.

Also according to the processed survey by Balkfors, the larger municipalities asked for national support in developing evaluations methods as well as methods for cost benefit calculations, to a greater extent than small municipalities. However these forms of support are among the most requested from both groups in the survey (Appendix 2, Table 7).

The characteristic we are left with, the organizational size, seem to have its greatest effect on the functionality of the work with social investments. All of the small municipalities in the selection except for Emmaboda municipality talked about their size as a disadvantage for their work with social investments, because they have few people who work at the departments, and therefore cannot assign a full time employment to work with the social investments, the way they can in larger municipalities. However, the officials also talked about there being a lack of the kind of competence that is needed to make social investments the way they have perceived that social investments are intended to be made. This makes social investments relatively harder to work with for small municipalities, although it seems to be a demanding concept for most municipalities.

# 7 Conclusions

Below a review of the research and the results concludes this research, and a discussion on what these conclusions can imply for a broader context will be discussed. In this discussion, topics for further research will be suggested as well.

## 7.1 Review of Research

Social investment is a rather young concept for Swedish municipalities, but it is becoming an increasingly used term and much-discussed way to work since social investments often differ from ordinary activities both in the methods they promote, and in their long-term view on results. A mere nine years after the first Social Investment Fund was created to facilitate the work with social investments, at least 52 other municipalities had followed the example, although the work looks different between municipalities.

In this research the effects of several characteristics of municipalities on the municipalities' work with social investments and Social Investment Funds has been explored through mixed methods. The characteristics of interest have been financial situation, organizational size, political ability to act and political cooperation. Results of a regression analysis showed that none of the characteristics have a strong relationship with work with social investments and the related fund, however two of them seemed to play a greater role than the others. These are the organizational size, measured as number of employees at the municipality, and political cooperation, measured as the composition of the ruling coalition of the municipality assembly. However, according to interviews with officials at municipalities who work with or have recently worked with both social investments and Social Investment Funds, the composition of the ruling coalitions does not seem to be of much importance.

According to theory, a non-conventional composition of the ruling coalition of the municipality assembly, meaning that the ruling coalition consist of parties that do not usually cooperate, would indicate a well-cooperating municipality assembly. This indicator is based on the assumption that such cooperation would not be proposed unless the politicians were able to put ideological differences aside in order to reach common goals. However, in this study no clear connection between non-conventional ruling coalitions and cooperation could be confirmed, neither could a connection between a general culture of cooperation in the municipality assembly and the work with social investments and Social

Investment Funds. This is an interesting result since all four of the background interviews exalted the importance of cooperation among the local politicians for a successful initiation and work with social investments. However, in the main interviews the respondents confirmed that even though the local politicians have been cooperating about these policies in particular, political cooperation does not necessarily characterize their municipality assembly in other decisions.

In previous research Lars Hultkrantz has researched whether the party ideology of the municipality assemblies has any effect on adoption of a policy on having a Social Investment Fund. His research did not show any relationship between party ideology and whether or not the municipality has a Social Investment Fund, or how much resources are allocated to the fund. In this research, two other political characteristics have been investigated (ability to act and cooperation), and none of them seem to matter for social investments either. To wrap this up, political characteristics does not seem to be that important for municipalities' work with social investments and Social Investment Funds. The word about the concept spread around the country, but no common political characteristic that could have influences which of the municipalities that decided to try it out have so far been found.

When it comes to the effect of the size of the organization, the results are more prominent. The regression analysis showed that large municipalities are more prone to adopt policies on working with social investments and Social Investment Funds than small municipalities. There could be several reasons for this, but the fact that the contacted officials at both small and large municipalities are well aware that small municipalities might lack the capacity needed for this way to work is a plausible explanation. The term capacity involves two main components in this case: the number of employees that can be allocated to work with this, and the competence (skills and knowledge) these employees have for the rather advanced tasks involved in the work. The lack of capacity therefore sometimes makes small municipalities take shortcuts in their work with social investments. There are certain procedures that are generally considered to be included in the concept social investments. When respondents talk about not being able to do "proper" or "correct" social investments, they can talk about both the aim and method of the social investment, and these more technical procedures. Cost benefit analysis and evaluations of projects are two of these procedures that require both a lot of competence and time: two resources small municipalities experience that they lack to a greater extent than larger municipalities. This is probably also the reason the aim of the efforts with social investments differs between large and small municipalities. Large municipalities intend to use their social investments as opportunities to develop new methods of their own and to implement evidence-based methods to a much greater extent than small municipalities. Considering the struggles small municipalities have with the concept as it is, it is fully understandable that these municipalities do not have these ambitions with the work.

Some rather unexpected opinions on the benefits of working with social investments and the associated funds have been expressed in similar manners, no matter the characteristics of the municipalities. One of these is the way work with

Social Investment Funds in particular can be a step on the way for municipalities to start rethinking their system for budgeting. The funds are often open to several different administrative departments, and the selection process of which department will use the money depends on the function the money will have. There seems to be an inquiry for among officials in several municipalities to work with a mind-set where the function of the resources is in the spotlight in this way. However, it might be especially hard for the smaller municipalities to start a process towards a changed resource view, unless they get help to overcome their greatest disadvantage, being their lack of capacity.

A characteristic closely related to a new way to think about budget is the financial situation of the municipality. Interestingly enough, the financial situation is seldom brought up during the interviews at all as something that would serve as a barrier or facilitator for work with social investments at the own municipality. However, in hypothesising about what the situation might be in other municipalities, for example during the background interviews, the financial situation was believed to affect the courage to make social investments to a rather great extent. According to theory “slack” resources (which can be in the form of both financial and human capital) allow decision makers to experiment with policies that are associated with risk, and hence might not have intended outcomes. To have *a lot of* resources could be connected to the size of the organization, since large municipalities have larger budgets, but this tells nothing about *slack* resources. Social Investment Funds are one way to set aside resources for this purpose, as a tool to overcome the direct budgeting of social investment projects, but in order to create a Social Investment Fund, there need to be excess resources. So why is a poor financial situation not a barrier to social investments? One explanation is that the risk associated with social investments goes both when making social investments and when refraining from them. Doing a social investment might not have intended outcomes, but by not working with preventive interventions or development of the organization the future situation might be even harder to address than the present one. With this mind-set social investments could be even more important to make for municipalities that are currently facing a poor financial situation. After all, investments are all about the long-term perspective.

To summarize the conclusions of the findings, it seem like the three analysed parts of municipalities’ work with social investments – initiation of, reason for and functionality of them – are interconnected. The results of the study suggest that small municipalities have less capacity to work with social investments, which affects how well the work with the social investments function. The lack of capacity is also connected to where a reasonable level of ambition can be set for the local social investments, and hence the purpose of the efforts will differ between municipalities. Examples of a high ambition are in the choice of working with method development and a Social Investment Fund with a re-transfer requirement. However, some of the officials that were interviewed for this study have perceived that the concept social investments require these ambitious components in order to be recognized as proper social investments. Assuming the local officials and politicians know that their municipality does not

have the capacity to make social investments the way they have perceived that the concept requires, this could very well be the reason some municipalities does not even initiate the concept.

## 7.2 Discussion on Broader Implications

The most general implication that can be concluded from this research is this: characteristics of municipalities matter. Although the correlational relationships between the characteristics chosen for this research and this specific policy adoption are weak, it is clear that the perception of what the municipality can or should do vary with the municipality's characteristics. For the policies on social investments, the organizational size was what mattered the most for the municipality's perception of what they could handle. This uncertainty from the officials of whether they can pull it off was also exhibited though caution on what to do with the fund, which in some cases lead to stagnation of the work.

The stagnation of the work experienced in some municipalities is also important find out more about. What is it that makes municipalities differ on this matter? Remember that the R-square of the regression analysis in this study indicated that the model could explain only about 10 % of the variability in the dependent variable. This means that there are another 90 % yet to be discovered. The research on social investments has so far to a great extent focused on soft values in the organizations, and maybe the key to what makes municipalities work well with social investments lies somewhere in between. For example, an interesting approach could be to see if the capacity variance that seem to be associated with the size of the municipalities affect soft values such as management style, and the identity of the organization.

The policies on social investments are according to most research closely related to development work, since the concept social investments often aim at develop methods used in the work with the citizens (social innovation) or to develop the work within the organization, towards a more holistic view on tasks and resources. Considering the critique that has been directed to municipalities about their insufficient work with innovation and development, it should be time to review more closely what their barriers to innovation are, and in what ways the barriers differ between types of municipalities. It is important to be up to date in the way services are delivered in the public sector just as any other sector. Constant development is required in order to address new issues in society, but also in order to address old issues in a more efficient way. But it seems like this one tool for development is not a concept that fits all.

As a concluding remark, the respondent that pointed out the danger in adopting a policy without evaluating if the municipality is capable of working with it might have captured the essence of the topic. Municipalities are not alike, and for this reason there needs to be a difference in what they are expected to do.

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## 9 Appendix 1: Interviewees

### *Background interviews:*

- Tomas Bokström, project leader and advisor at the Swedish Association of Local Authorities and Regions (SALAR)
- Anders Norrlid, head of office at the Council for Local Government Analysis (RKA)
- Henrik Kvist, financial manager at Bräcke municipality
- Siw Karlsson, financial manager at Avesta municipality

### *Main interviews:*

- Aina Rundgren, process manager of social investments at Örebro municipality
- Anita Mikkonen, economist at Hedemora municipality
- Ann-Sofie Nylander-Johnsson, controller at Emmaboda municipality
- Charlotta Rosenquist, economist/controller at Gnesta municipality
- Christel Fredriksson, controller at Vingåker municipality
- Erik Sunnert, controller at Söderhamn municipality
- Malin Bengtsson, economist for social investments at Norrköping municipality
- Pär Tudén, acting financial manager at Linköping municipality

## 10 Appendix 2: Tables

Three additional questions have been processed from the survey conducted by Balkfors (2015), apart from which municipalities work with the concept social investments, and which municipalities that also have a Social Investment Fund.

**Table 5: Which of the alternatives are important in your work with social investments?**

Municipality group:	Smallest 50 %	Largest 50 %
<i>Employees:</i>	<i>330-1800</i>	<i>1900-24100</i>
Implement evidence-based methods	50%	73%
Opportunity to develop own new methods	47%	83%
Financial returns	63%	60%
Promotes transboundary cooperations	70%	83%
Increase quality	50%	43%
Increase competence among staff	27%	47%
Other reason	7%	7%

N=60

Table 5 displays additional survey results, where the respondents have been divided into two equally large groups based on the municipality's number of employees. Source of data: Balkfors (2015) and SCB (2016b).

**Table 6: Which components need development in your work with social investments?**

Municipality group:	Smallest 50 %	Largest 50 %
<i>Employees:</i>	<i>330-1800</i>	<i>2000-24100</i>
The organization	35%	42%
Management and steering	42%	58%
Need analysis	45%	52%
Monitoring and evaluation	71%	94%
Financial analysis	58%	94%
Communication	26%	39%
Cooperation between actors	52%	45%
Other	6%	6%

N=62

Table 6 displays additional survey results, where the respondents have been divided into two equally large groups based on the municipality's number of employees. Source of data: Balkfors (2015) and SCB (2016b).

Table 7: How should the work be supported from a national level?

Municipality group: <i>Employees:</i>	Smallest 50 % <i>550-2000</i>	Largest 50 % <i>2500-24100</i>
Operate networks	26%	74%
Development on evaluation	74%	89%
Methods for cost benefit calculations	58%	63%
Compilations of evidence-based programs	53%	42%
Make compilations of costs	26%	32%
Offer and/or coordinate financing	47%	32%
Coordinate cooperation with actors	32%	42%
Other	5%	21%

N=38

Table 7 displays addition survey results, where the respondents have been divided into two equally large groups based on the municipality's number of employees. Source of data: Balkfors (2015) and SCB (2016b).