

13 PUBLIC POLICY EVALUATION IN SWEDEN¹

by Bengt-Christer Ysander

Auditing the Swedish Welfare Economy

Auditing a market economy normally means making sure that effective competition is maintained. Auditing a welfare state is a much more complex task. It means i.a. evaluating the efficiency of government monopolies by the use of hypothetical market analogies. At the same time, the equity considerations of the welfare state have to be observed. The outcome of auditing will depend on the choice of criteria for comparison – alternative government policies or market solutions, alternative taxes, lumpsum transfers etc. The more dominant and all-embracing the public sector becomes and the more ambitious the redistribution policies are, the more confused the Government objective function will be and the more difficult it becomes to do the auditing work. But the reason for doing it will be all the more pressing.

There are several pressing reasons for Sweden to be particularly concerned about the evaluation of public policy.

Tax rates and public spending shares are the highest in the world. More than 70 percent of total income is channeled through public budgets rather than through markets.

Compared to other West European countries the Swedish welfare strategy is based on the provision of free public services, implying both relatively more public employment and long-term and inflexible commitments of public funds.

The rapidly increasing Swedish public budgets are dominated by expenditure used for price subsidies in general, and public consumption in particular. The share of income for collective security has remained more or less constant around 10 percent over the whole postwar period. The dramatic

¹ Revised and shortened version of a lecture given at Colloque International "L'Évaluation des Politiques Publiques", Paris, 15-16 décembre 1983, published as "L'évaluation des politiques publiques en Suède", in Nioche, J.-P. and Poinard, R. (eds.), *L'évaluation des politiques publiques*, Economica, Paris, 1984, and in IUI Booklet No. 215, Stockholm.

expansion of the public budget share is entirely due to social security expenditure, which has almost tripled its share during the last 30 years.

Most social security expenditures can be said to be ultimately concerned with redistributing real income. This may take the form of insuring against social and economic risks, redistributing resources over the individual's lifetime or shifting the levels of life income prospects between individuals. This means that policies have been focused on the distributive effects. One reason why policy makers so far have often been unappreciative towards attempts at economic policy evaluations may indeed be their preoccupation with feasible redistributions. Economists, on the other hand, often treat redistribution as a side-issue, or a restriction on their main concern with efficiency and/or macroeconomic stabilization.

Policy ambitions are mirrored by the perceptions or models of economic reality used in public economic analysis. One problem is that these perceptions have changed as a consequence of the economic events of the 70s.

Policy Evaluations in a Swedish Context¹

Some kind of policy evaluation normally precedes policy making. The policy cycle begins with *policy analysis* – the ex ante evaluation of options on which the *policy decision* is based. Then comes implementation and finally ex post *evaluation* – the theme of this paper – hopefully operating as a learning experience for the next round of policy making (Edlund, and others, 1981, and Wildavsky, 1979).

What one ultimately wants to evaluate is the *social effectiveness* of the implemented policy, i.e. its effects on the welfare of individuals and groups in the community. In most cases this is the same as its impact on the size and distribution of real income.

A useful distinction can be made between, on the one hand, *policy effectiveness* and, on the other hand, *management efficiency*. The second measures the efficiency in implementing policies. A good deal can be learned by simply looking inside Government offices. Evaluating policy effectiveness, on the other hand, almost invariably requires “field studies” of the policy impact on private individuals and organizations (Farell, 1957, and Førsund, Lovell, and Schmidt, 1980).²

¹ For an alternative resumé of the Swedish experience in public policy evaluation cf. Premfors, 1984.

² The reader will notice that, contrary to the practice among business economists, we here use effectiveness as a broader concept than efficiency, encompassing also distributional considerations. The simplified distinction used above thus disregards the fact that implementation decision on the management level may also have important distributional consequences. For an extensive discussion of efficiency concepts and their applications to public administration, cf. Jackson, 1982.

The reader will notice that, contrary to the practice among business economists, we here use effectiveness as a broader concept than efficiency, encompassing also distributional considerations. The simplified distinction used above thus disregards the fact that implementation decision on the management level may also have important distributional consequences. For an extensive discussion of efficiency concepts and their applications to public administration, cf. Jackson, 1982.

In evaluating efficiency in the private economy, economists often argue that welfare losses due to misallocation are negligible compared to the losses due to inefficient resource use within each line of production (Leibenstein, 1966). There are reasons to assume that the opposite applies to the public economy. Apart from distortions due to taxes and subsidies, there are the problems involved in “filtering” preferences through a representative democracy and its bureaucratic machinery. Intuitively, one would therefore expect the “non-market failures” to be far greater than the “market failures”.

At least in Sweden, public opinion tends to regard the problem of inefficient public administration as limited compared to the risks of ineffective policy choices. Inefficient public bureaucracy therefore appears as less of a problem in Sweden than in most other countries. Many factors have contributed to this, notably a long tradition of disciplined and incorrupt bureaucracy. An overgrowth of central administration has not yet occurred. Moreover, the public sector is mainly associated with health and education – status goods in expanding demand. Compared to most other countries public policy in Sweden is also more decentralized. The relatively independent local authorities, municipalities and counties are responsible for more than two thirds of all public consumption (Ysander-Murray, 1983). Even central Government power is decentralized; policies are mainly executed, and often also initiated, by independent national agencies.

Although the number of domestic policy-issues in Sweden is comparable to that of a larger country, a small country has less resources for specialized policy evaluation. Decentralization has often provided an excuse for not even trying. Conventional wisdom among politicians is that decentralized decision-making is a substitute for policy evaluation. Public attention to policies is more immediate, when decisions are made “closer to the market”.

There are two additional features of Swedish postwar politics, that have tended to lessen the interest in evaluating policies.

Many of the political institutions – like Government Committees – have been designed to produce consensus decisions. At any time there are 200-300 of these committees at work, with an average lifetime of 3-4 years.¹ They

¹ 206 Govt. Commissions were at work in the autumn 1983. Efforts are being made to speed up the investigative process, aiming at a maximum lifetime of 2 years.

are composed of MPs and representatives of different interest groups. Their task is to prepare – and negotiate – major policy changes and new legislation. Committees contract outside experts to review the past or develop new options, but are usually narrowly constrained by Government directives. Consensus politics mean that decision-making takes time. It might even include evaluation of past policies. But once consensus decisions are taken, interest in reappraisal tends to vanish.

Major policy decisions usually represent a heavy investment in terms of political credit. A certain amount of indoctrination is usually required to ensure support and acceptance. Hence, enthusiasm among responsible parties for later checking policy arguments against facts is normally lacking.¹

The very rapid economic growth in the 50s, 60s and early 70s furthermore focused political interest on policy expansion and incremental change rather than on policy restructuring and alternative options. This necessarily limited the possibilities of evaluation by narrowing the range of “experimental variation” in the available data.

From Program Evaluation to Problem Reappraisal

Before 1960 the Government made no systematic policy evaluation. Evaluations – if they occurred – were initiated by some Government Committees to develop arguments for new legislation. The monitoring of public administration by the National Audit Bureau was limited to safe-guarding the interest of fiscal regularity and public accountability – what is nowadays often termed *compliance auditing*.

The period from 1960 to the late 70s witnessed an expansion in *program evaluation*. Both the economy and the public sector were growing rapidly, particularly local authorities, which expanded almost twice as fast as GNP. How to organize a trebling of university students and yet accommodate an even faster growth of adult studies was a typical concern of Government. Health and welfare services and pension schemes had to be prepared for a doubling of the number of old-age people. Public child-care capacity “had to” double to facilitate female labor participation needed to replenish an overheated labor market. Ambitions expanded and began to include better labor market matching and retraining, an “improved” regional balance of manufacturing investments, etc. Not least important was the need to reorganize public administration to cope with all new tasks.

Contrary to what happened in the Anglo-Saxon countries, program budgeting, PPBS¹, was developed and introduced in Sweden not as an in-

¹ Tarschys provides a stimulating discussion of the waxing and waning of political interest in policy evaluation during different phases of policy-making (see Tarschys, 1983).

² Planning – Programming – Budgeting – Systems.

strument for central Government policy making but as a way of decentralizing the administration to increase efficiency at the agency level. Program budgeting became an accepted routine for an increasing number of agencies. A unified scheme for program cost accounting and internal program reviews were gradually introduced in the agencies. The National Audit Bureau transferred its resources to selective checks on agency decision-making and reviews of programs. However, the risk of "in-built" expansion, always inherent in the PPBS approach, still remains a problem, although endogenous expansion has been curbed through enforced plans for program reductions at agency level (National Audit Bureau, 1983a and b, SOU 1979:61).

At cabinet level, ad hoc Government Committees were subjected to competition when several large ministries initiated their own R&D committees, with a semi-independent and semi-permanent status, staffed with both experts and civil servants. These committees were authorized to monitor and initiate policy research. Most policy evaluation at the time in fact took place in these committees. The record of serious policy evaluation, however, is far from impressive. Methods were crude and efforts low keyed. A few pioneering attempts at statistical analysis of program effects can be noted from the early 70s (SOU 1974:29, Björklund, A., 1981, and Kjellman, S., 1975). These efforts, however, cannot match the steady outflow of studies and the rapid development of statistical evaluation methods achieved in the United States ever since the negative income tax experiments (Guttentag, Struening, 1975, and Premfors, 1984). Some experiments were carried out locally in the social welfare fields, but these experiments were seldom used as a basis for a full scale evaluation. Economic evaluations of medicines and medical treatments did, however, become increasingly frequent. A common problem which we have as yet done little to solve concerns the poor availability of relevant and reliable panel data. The lack of good data is also the excuse often used to explain the very small amount of evaluation work in the field of taxes and transfers.

Within university education, however, policy changes and reform evaluations have been frequent in the postwar years (Edlund and others, 1981; Neave and Jenkinson, 1983; and Premfors, 1983).

After 1976, the long period of postwar prosperity was succeeded by industrial stagnation. A bourgeois Government was elected after more than forty years of socialist hegemony. Policy evaluation from now on could best be characterized as problem reappraisals. The mounting economic and financial problems, and the frequent changes in Government made it both possible and necessary to reconsider basic policies and conventional wisdom (SOU 1979:61). The political consensus was breaking apart and the climate of opinion was undergoing drastic changes.

This led not only to a heightened interest in policy evaluation but also to a change of direction of the evaluation work. From having been mainly "pro-

gram-oriented”, evaluation work has become increasingly “problem-oriented”. Instead of starting at the top level with an individual program like labor market retraining, and following it down the line to its final execution, trying to measure its differential impact on individuals and firms, the tendency now is to go the other way around. One begins by studying the total impact on a specific target group, such as children in day care.

At the management level, this has meant new tasks for the National Audit Bureau, which is now allowed not only to look at individual agencies and programs, but also to reappraise the efficiency of program and agency structure. The National Audit Bureau has established routines for computing total public transfers for various types of households and firms, and is studying the effects of diverse licensing laws and of deregulation measures in progress.

At the policy-making level there is a new interest in evaluating whole policy systems by comparing them with radically different alternatives. The Treasury has recently established its own R&D-committee, using it as a sounding-board for new policy options. Its interest extends to the appraising of new transfer structures and new models for social insurance.

Table 1 presents the various modes of public policy evaluation mentioned above in a summary fashion. In terms of this table Swedish development

Table 1 *Different modes of public policy evaluation*^a

Object of study	Method of approach	Program-oriented study of incremental change	Problem-oriented study of intra-marginal change
Management regularity		Compliance auditing	Studies of budgetary control systems
Management efficiency		Management auditing. Cost-effectiveness studies	Studies of bureaucratic systems
Policy effectiveness		Effectiveness auditing	Social welfare studies. Total impact studies of public policy.
(Allocative efficiency, distributional effects)		Program evaluation Cost-benefit analysis	Studies of alternative modes of financing and distributing public services and insurance.

^a For a more elaborate classification scheme for public evaluation cf. e.g. Ahonen, 1983.

since 1960 can be characterized as a shift of emphasis “downwards” – from management regularity to policy effectiveness – and “to the left” – from program-orientation to problem-orientation.

However beneficial reappraisals are, they cannot replace the painstaking work of analyzing program impacts. Unfortunately, such work has not progressed in late years, and no effort has been made to build the necessary foundations in terms of good panel data and trained analysts. In the case of labor market policy and social welfare policy very little has been done to continue the statistical analysis initiated in the early 70s.

Only in one field has there been a fast expansion of evaluation work during recent years, viz. energy policy. A deluge of energy research funding has been channeled into policy and project evaluation work (Andersson-Bohm, 1981; Vedung, 1982; and Ysander, 1983).

Development in policy analysis during the last decade has also been disappointing. Benefit-cost analysis has, so far, become an administrative routine only at the National Road Agency. Good benefit-cost work on public projects is rare. The same is true for policy analysis using large scale simulation models, although an increasing interest has been noticed in the last few years (Carlsson-Bergholm-Lindberg, 1981; Vedung, 1982; and Ysander, 1983). There is of course a close connection between developments in policy analysis and policy evaluation. Evaluating policy means evaluating a social experiment. It is then important to know, by policy analysis, the expected consequences of the experiment.

The Evaluation Bureaucracy

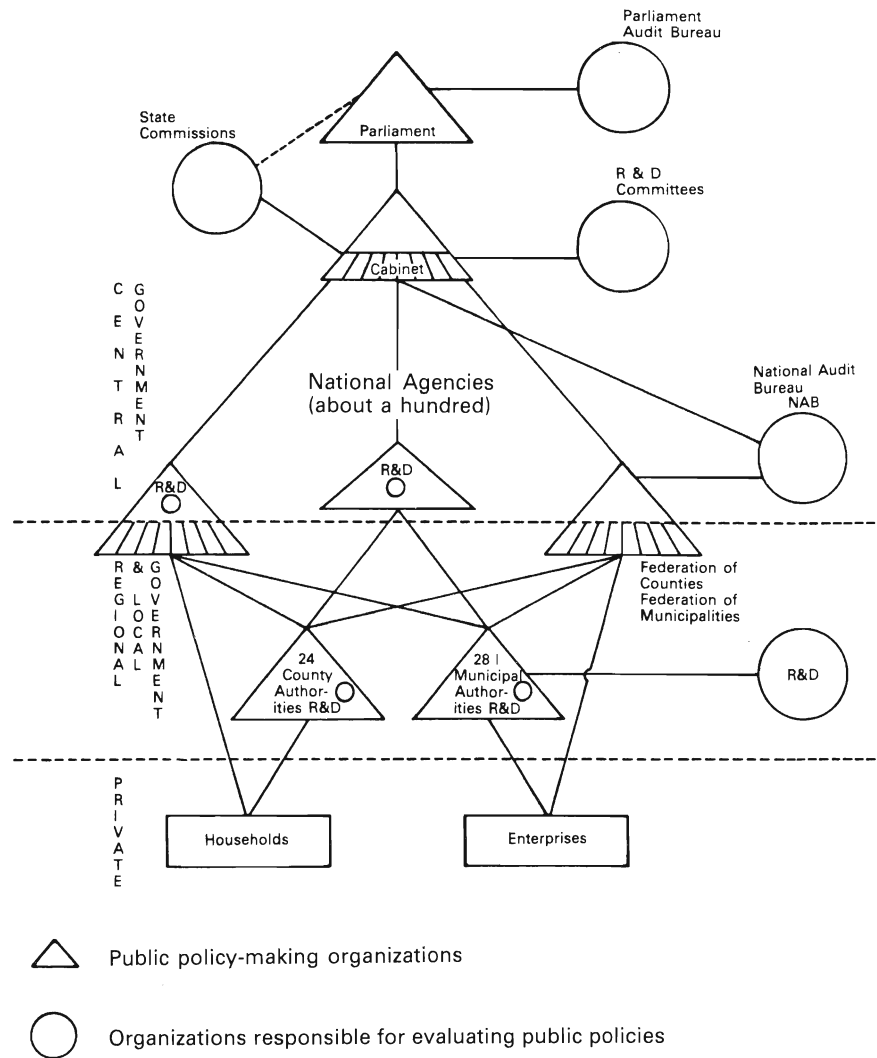
The organization of Swedish evaluation work is exhibited in Figure 1.

Parliament and Cabinet

The Parliament Audit Bureau is quite small and subordinated to a board of MPs. Its size and the political monitoring of its analysis have, so far, tended to reduce its role. This also reflects the weakened position of Parliament vis-à-vis Government during the last half-century. Frequent changes of government and the precarious parliamentary balance in recent years have not really changed that situation.

The traditional and dominant vehicles for policy evaluations in Sweden are the Government committees. Government directives and the tight time schedules of committee work narrowly limit the scientific ambitions of the evaluations. The most important function of the committee is to prepare the way for a consensus decision in Parliament. Hence, the expert arguments are often used more as political ammunition than as an objective support of decisions (Premfors, 1983).

Figure 1 *The Swedish organizational structure*



The second important source of policy evaluations at cabinet level are the temporary R&D committees, set up by ministries like Justice (BRÅ), Labor (EFA), Industry (ERU), Social Welfare (DSF) and Treasury (ESO).

National Agencies

A Swedish minister of state has a power position very different from, say, his French colleague. All cabinet decisions are taken collectively, and the minister's own staff rarely exceeds 40-100 people. Most executive work is

handled by the associated national agencies in accordance with a 300-year-old tradition. The national agencies enjoy a high degree of autonomy and protection from direct ministerial intervention. One hundred such national agencies and a couple of hundred minor national organs are responsible for current resource allocation and for the issuing of regulations and directives to local authorities and private organizations. Some of the major agencies also have a large regional organization.

Regional and Local Agencies

Even though relatively autonomous by international standards, the Swedish counties and municipalities are regulated by the state. Around 70 percent of local expenditures are somehow regulated and some 30 percent of these regulated expenditures are, on average, paid by the state. Comprehensive schools and highschools in the municipalities are subjected to particularly heavy subsidies and regulations. The same goes for medical services, which are the main responsibility of the counties.

Internal auditing and reviewing within local authorities therefore emphasizes management effectiveness. Since "municipal mergers" in the early 70s reduced the number of units to a third, better and more unified systems for cost accounting and financial management have been organized.

A number of counties, and some of the major municipalities in metropolitan areas do, however, have their own R&D units, for planning large investment projects and for monitoring labor market flows.

Decentralization and Fragmentation

The slow progress of policy evaluation in Sweden is best explained by its decentralized and fragmented organization.

The *decentralized* structure of Swedish Government has eased the political pressure for central government monitoring. Evaluations of policies, for which responsibility rests with the local authorities, may e.g. often be considered not only less urgent but even politically unsuitable for organs of central Government. Attempts in postwar years to have interest groups or client representatives directly involved at different levels of the National Agencies have been seen as a vehicle for faster and more direct feedback.

There is always a political tug-of-war between, on the one hand, the groups clamoring for centralized regulation and resources to protect their interests or the equality of standards and, on the other hand, the more general pressure for decentralization and deregulation in the name of efficiency and freedom (Tarschys, 1975 and 1983b). The last decade of Swedish politics has witnessed strong swings in both directions with restrictive labor market legislation and heavy industrial subsidies (Carlsson-Bergholm-Lindberg,

1981) on the one hand, and on the other, a flow of actual or proposed de-regulation measures.

The Swedish organization of policy evaluation is also very *fragmented*. A major part of evaluation work is initiated and financed by temporary government committees and commissions with very limited budgets, tight time schedules and narrow political directives. In most cases they have been set up to investigate a specific proposal. Evaluations of past policies therefore tend to be not only limited but also superficial, relying in most cases on a review of already documented experiences. No individual commission has the right, the resources or the patience to conduct a full-scale statistical post mortem on important policy choices in the past. Neither will they plan their proposals in order to facilitate later evaluation (Premfors, 1983b). Even though references to evaluation requirements have become frequent in government policy documents, so far these requirements have been more related to management efficiency than to policy efficiency.¹ The fragmented organization also makes evaluation difficult in another way. There are increasing returns to scale in evaluation work in the sense that everybody can benefit from the production of good economic and social data, and from the building up of a common body of expertise within Government. Individual committees etc. can reap the benefits of such common resources but usually they can do little alone to produce them.

References

- Ahonen, P., 1983, *Public Policy Evaluation as Discourse*, Helsinki.
- Andersson, R. – Bohm, P., 1981, *Samhällsekonomisk utvärdering av energiprojekt* (Economic Evaluation of Energy Projects).
- Björklund, A., 1981, *Studies in the Dynamics of Unemployment*, EFI, Stockholm School of Economics.
- Bohm, P., 1972, "Estimating Demand for Public Goods: An Experiment", *European Economic Review* No. 2.
- Carlsson, B. – Bergholm, F. – Lindberg, T., 1981, *Industristödspolitiken och dess inverkan på samhällsekonomin* (The macroeconomic effect of industrial subsidies), IUI, Stockholm. For a summary in English, see Carlsson, "Industrial Subsidies in Sweden: Simulations on a Micro-to-Macro Model" in *Microeconomics, IUI Yearbook, 1982-83*, Stockholm 1983.
- Edlund, C., et al., 1981, *Utvärderingsforskning* (Evaluation Research), Studentlitteratur, Lund.
- Eliasson, G. – Ysander, B.-C., 1983, "Problems of Maintaining Efficiency under Political Pressure", in Hindley, B. (ed.), *State Investment Companies in Western Europe*, McMillan, London.

¹ This conclusion has been drawn from a survey of the ministries, carried out in September 1983 by the Committee for Studies on Public Finance (ESO) on behalf of the author.

- Farell, M.J., 1957, "The Measurement of Productive Efficiency". *Journal of the Royal Statistical Society*, Vol. 120, Series A.
- Førsund, F.R. – Lovell, C.A.K. – Schmidt, P., 1980, "A Survey of Frontier Production Functions and of their Relationship to Efficiency Measurement", *Journal of Econometrics*, No. 13.
- Gramlich, E.M. – Ysander, B.-C., 1981, "Relief Work and Grant Displacement in Sweden", in Eliasson-Holmlund-Stafford (eds.), *Studies in Labor Market Behavior: Sweden and the United States*, IUI, Stockholm.
- Guttentag, M. – Stuenkel, E.I. (eds.), 1975, *Handbook of Evaluation Research I-II*, Sage, Beverly Hills.
- Jackson, P.M., 1982, *Political Economy of Bureaucracy*, Philip Allan, Oxford.
- Kjellman, S., 1975, *Arbetsmarknadsutbildningens effekter på inkomstfördelning och resursanvändning* (The Distribution and Resource Allocation Impact of Labor Market Training), Report No. 9, Parliamentary Audit Office.
- Leibenstein, H., 1966, "Allocative Efficiency vs. X-Efficiency", *The American Economic Review*, Vol. 56, No. 3.
- Markstedt, L., 1982, *Abolishing Rules and Regulations*, National Audit Bureau, Stockholm, 1983-11-17.
- May, J. – Wildavsky, A. (eds.), 1978, *The Policy Cycle*, London.
- Murray, R., 1981, *Kommunernas roll i den offentliga sektorn* (The Role of Local Governments in the Public Sector), Mimeo, IUI, Stockholm.
- National Audit Bureau, 1983a, *Application of Integrated Budgeting System in Sweden*, Report 1983-08-25, Stockholm.
- National Audit Bureau, 1983b, *New Development Trends within Effectiveness Auditing in Sweden*, Mimeo, Stockholm.
- Neave, G. – Jenkinson, S., 1983, *Research on Higher Education in Sweden*, Almqvist & Wiksell, Stockholm.
- Nordström, T. – Ysander, B.-C., 1980, *Offentlig service och industriell tillväxt* (Public Consumption and Industrial Growth), IUI Research Report No. 11, Stockholm.
- Premfors, R., 1981, *Genomförande och utvärdering av offentlig politik* (Implementation and Evaluation of Public Policy in Sweden), Report No. 12, Department of Political Science, University of Stockholm.
- Premfors, R., 1983a, *Implementation Strategies in Higher Education*, Report No. 26, Department of Political Science, University of Stockholm.
- Premfors R., 1983b, "Social Research and Governmental Commissions in Sweden", *American Behavioral Scientist*, Vol. 26, No. 5.
- Premfors, R., 1984, *Policyanalys i Sverige* (Policy Analysis in Sweden), Report No. 30, Department of Political Science, University of Stockholm.
- SOU 1974:29, *Att utvärdera arbetsmarknadspolitik* (The Evaluation of Labor Market Policy), 1974, Government Printing Office, Stockholm.
- SOU 1977:20, *Kommunernas ekonomi 1975-85* (The Economy of Local Governments), Government Printing Office, Stockholm.
- SOU 1979:61, *Policy Innovation through Policy Reappraisal*, Government Printing Office, Stockholm.
- Stromsdorfer, E.W. – Farkas, G. (eds.), 1980, *Evaluation Studies Review Annual*, Vol. 5, Sage Publications, Beverly Hills.
- Tarschys, D., 1975, "The Growth of Public Expenditure: Nine Modes of Explanation", *Scandinavian Political Studies*, Vol. 10.
- Tarschys, D., 1983a, "Att bekämpa krångel och onödig byråkrati" (To Fight Unnecessary Bureaucracy), *Nordisk Administrativ Tidskrift*, Vol. 64, No. 1.

- Tarschys, D., 1983b, "Fluctuations in the Political Demand for Policy Analysis", in *Evaluating the Welfare State: Social and Political Perspectives*, Academic Press, Stockholm.
- Vedung, E, 1982, *Energipolitiska utvärderingar 1973-82* (Evaluation of Energy Policy 1973-82), Report No. 52, Energy Research Commission, Stockholm.
- Wildavsky, A., 1979, *Speaking Truth to Power: The Art and Craft of Policy Analysis*, Little Brown & Co., Boston.
- Ysander, B.-C., 1979, "Offentlig ekonomi i tillväxt" (The Public Sector in a Growing Economy), in *Att välja 80-tal* (Choosing the 80s), IUI, Stockholm.
- Ysander, B.-C., 1982, "Public Budgets in Sweden", *Public Budgeting and Finance*, Vol. 2, No. 3.
- Ysander, B.-C. – Robinson, A., 1982, "The Inflexibility of Contemporary Budgets" and "Re-establishing Budgetary Flexibility", *Public Budgeting and Finance*, Vol. 2, No. 3.
- Ysander, B.-C. (ed.), 1983, *Energy and Economic Adjustment*, IUI, Stockholm.
- Ysander, B.-C. – Murray, R., 1983, *Kontrollen av kommunerna* (Central Control of Local Authorities), IUI Research Report No. 18, Stockholm.
- Ysander, B.-C. – Nordström, T., 1984, "Local Authorities, Economic Stability and the Efficiency of Fiscal Policy" in Gramlich, E.M, - Ysander, B.-C. (eds.), *Control of Local Government*, IUI, Stockholm.